

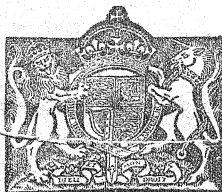
India's Parliament

Volume VIII

*Selections from the Proceedings of the
Special Session of the Legislative Assembly
and the Council of State held in Simla in
May and June 1924.*



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INTRODUCTION.

The special Session of the Indian Legislature commenced at Simla on the 27th May 1924. Having been called for

Foreword.

a special purpose, namely, to deal with the question of protection for the steel industry it did not offer scope for discussions on as large a variety of subjects as had characterised the proceedings of the ordinary sessions at Simla and Delhi. Non-official resolutions were not included in the programme nor were non-official Bills. But in addition to the Steel Industry (Protection) Bill the Government had on their agenda the Indian (Specified Instruments) Stamp Bill; the Indian Soldiers' Litigation (Amendment) Bill and a resolution regarding the removal of import duty on sulphur. Such was the original programme; but at the last moment the publication of the Report of the Royal Commission on the Superior Civil Services in India excited a considerable amount of attention and the Government met the wishes of the non-official members by allowing discussion on a resolution dealing with it. Except for this the business of the Session was confined to the special items for the consideration of which the Legislature had been called. The restrictions placed upon the nature of the business did not of course apply to interpellations and no less than 528 starred questions were put and answered in the Assembly and the number of interpellations in the Council of State which does not yet differentiate between questions calling for an oral answer and those which may be disposed of otherwise,

Questions and Answers.

was 112. As usual, matters connected with Railways formed the subject of a large number of interpellations. Other subjects were not neglected and information was sought *inter alia* about the recent riots in British Guiana, arrests under Regulation III of 1818, etc. The two subjects, however, which deserve special mention are the Report of the Lee Commission and the Reforms Enquiry Committee. The anxiety of non-official members in connection with the former topic even induced Mr. Acharya on the 30th May to make the only request that was made this session for leave to move an adjournment of the business of the Assembly, but the President pointed out that the Leader of the House had already intimated that if the House wanted an opportunity of discussing the Lee Commission's Report the Government would be prepared to give facilities for such discussion. Mr. Acharya did not press his request and later on the Assembly discussed a resolution by Sir P. S. Sivaswamy Aiyar putting off till the September session the consideration of the Report in the Assembly. The anxiety about the Reforms Enquiry Committee had already been anticipated by the Government which had issued a communiqué and presented it to the House on the 27th May. The communiqué ran as follows:—

"The Governor General in Council, with the approval of the Secretary of State in Council, has decided to appoint a Committee consisting of official and representative non-official members—

- (1) to inquire into the difficulties arising from or defects inherent in, the working of the Government of India Act and the Rules thereunder; and

(2) to investigate the feasibility and desirability of securing remedies for such difficulties or defects, consistent with the structure, policy and purpose of the Act,

(a) by action taken under the Act and the Rules, or

(b) by such amendments of the Act as appear necessary to rectify any administrative imperfections.

2. The personnel of the Committee and the date and place of sitting will be announced later. Invitations are about to be issued to certain prominent non-officials.

3. A memorandum summarising the legal and constitutional possibilities of securing remedies for difficulties arising from or defects inherent in the working of the Government of India Act and the Rules thereunder by action taken under the Act and Rules is being prepared and will be communicated to the Committee for its guidance. This memorandum will be based on the report submitted by the Committee appointed by His Excellency the Viceroy, the personnel of which has already been announced and which has been occupied for some time in examining the constitutional position.

4. As already announced Local Governments have been addressed on the subject and any proposals received from Local Governments will be referred to the Committee for examination.

5. The Committee will be empowered to receive written representations and, if necessary, to hear oral explanations upon them. It will report to the Governor General in Council."

Resolutions.

Duty on Sulphur.

On the 6th June Sir Charles Innes moved in the Assembly :—

"That this Assembly recommends to the Governor General in Council to accept the recommendation of the Tariff Board that the import duty on sulphur be removed."

In moving his proposition Sir Charles reminded the House that one of the recommendations made by the Fiscal Commission was that, so far as possible, the Government of India should exempt from import duty the raw materials required by the industries of India, and pointed out that the tariff having hitherto always been a revenue tariff the Government had been unable at once to adopt this recommendation. But the adoption by the Legislature of a policy of discriminating protection had altered the whole position and as numerous representations had been made by manufacturers of chemicals throughout India with regard to the import duty on sulphur the question had been referred to the Tariff Board which had reported that there were strong reasons for taking off the duty. The Member for Commerce claimed that if the duty was removed many deserving industries would be assisted in cheapening the prices of their raw materials. The estimated cost of this concession was likely to be Rs. 2 lakhs a year but the Government felt that the benefit which industries in India would derive from the removal of this duty was well worth the price they should have to pay. Mr. K. Rama Aiyangar moved an amendment excluding from the operation of the resolution the flour of sulphur and roll sulphur but it was rejected by 48 votes against 14 and the resolution itself was carried. A resolution in the same terms had, on the 4th June, been moved by Mr. Chadwick, supported by Mr. Haroon Jaffer, Mr. Lalubhai Samaldas, Colonel Nawab

Sir Umar Hayat Khan, Sir Deva Prasad Sarvadhikary, and Sirdar Charanjit Singh, and adopted by the Council of State. The importance of this resolution to the industrial world should not be estimated by the comparatively short space of time devoted to its discussion both in the Council of State and in the Legislative Assembly. The real reason for the celerity with which it was passed lay in the unanimity of opinion upon the subject.

From the political point of view a much more important resolution was the one moved in the Legislative Assembly
 Lee Commission Report. by Sir P. S. Sivaswamy Aiyar on the 9th June
 in the following terms :—

“ This Assembly recommends to the Governor General in Council that he will be pleased to convey to the Secretary of State the opinion of this House :

- (1) that it is impossible for this House during this session to devote to the Lee Commission Report which was published on the 27th of May, the attention that it requires for a careful and thorough examination of its proposals in all their aspects and hearings and that for this purpose it is absolutely necessary to afford further time to this House till the September session;
- (2) that the interval of three months asked for by the House for the consideration of the many important issues involved will neither cause any hardship to the services which will obtain any financial relief that may be eventually decided upon with effect from the 1st of April 1924, nor affect public interests by impeding recruitment for the services during the interval which may proceed on the existing lines;
- (3) that any attempt to give effect to the recommendations of the Commission without giving adequate time to this House and the country to form an opinion upon proposals of a far-reaching character with their inevitable repercussions on other departments and services is bound to be resented as exhibiting a supreme disregard of Indian public opinion and to provoke feelings of widespread discontent.”

While appreciating the anxiety of the Government of India and the Secretary of State to deal with the Lee Commission Report with as little delay as possible, Sir Sivaswamy Aiyer contended that the issues involved in it were of a most important character and involved very grave commitments in the matter of expenditure. Dealing with the leading recommendations of the Report Sir Sivaswamy Aiyer maintained that there was room for reasonable difference of opinion as to the extent of the relief to which the Services were entitled; that the bearing of the recommendations upon the other Services and the other Departments had to be considered; that the absence of any condition for the grant of the remittance privilege to European members of the Services and the imposition of restrictions on the rights of Indian officers to enjoy this privilege constituted an invidious distinction between the two classes of officers; that the question of commutation of pensions was not free from difficulty; and that the concession regarding house rents required careful examination in view of its effect on other Services. As regards the organisation and recruitment of the Services, Sir Sivaswamy Aiyer observed that these matters could not be separated from others in the Report; that the advance which had been recommended was not such as to satisfy the expectations of the country; that the possible extension, within the near future, of the area of transferred subjects deprived the Commission's recommendations of any finality; and that the period

recommended by the Commission for equalising the strength of the Indian and European elements in the security Services would not be universally accepted. Lastly, he protested against a unified Royal Army Medical Corps for serving the needs of the British and Indian units when that Corps would not be subject to the Government of India, when it would admit only persons of pure British blood, and when the constitution of that Corps would be little influenced by the diminution in the number of British troops to which India was so much looking forward. Sir Alexander Muddiman, rising to reply, acknowledged that it was most desirable that in a matter of this kind they should look at all the interests concerned, and he emphasised that the urgency of the Report rested not on any one factor alone but on a three-fold basis, namely, the progress towards provincialisation, the progress towards Indianisation, and the well-being of the Services. While maintaining the need for expedition in dealing with the Report as evidenced by the specific direction in the Warrant of Appointment of the Royal Commission to report "with as little delay as possible," the Home Member remarked that he had no intention of suggesting that the Report should be dealt with in a haphazard way, without due consideration and examination. "In spite of the urgency of the Report," he continued, "the Government of India and the Secretary of State are prepared, and have always been ready to give an opportunity to this House to express its views on the proposals before we arrive at conclusions." He assured the House that if it was really anxious to discuss the Report on its merits there would be no difficulty in giving the opportunity. "We on this side are perfectly willing," said Sir Alexander, "to give an adjournment to enable the Report to be discussed in a reasonable way after due examination. That, Sir, has been our position throughout. But the postponement should be on *bonâ fide* grounds. The House, when it meets us in September next, must be ready to discuss the Report on the merits.....I am prepared to give, on behalf of the Government of India and also of the Secretary of State, a pledge that no decision on any question of principle or policy shall be arrived at till this House has had an opportunity in the September session of examining the matter, on the understanding that the House passes a Resolution substantially in the terms of my Honourable Friend's Resolution. I shall be willing to accept it, and I hope the House will be willing to accept it." In the meantime the Government of India and the Local Governments would proceed with the further examination. In conclusion, the Home Member pointed out that there had been and was a widespread feeling of discontent, and no matter how the Services were recruited, what the form of the Government was, whether the Services were paid adequately or not, it was not wise to have discontented Services. Pandit Madan Mohan Malaviya moved the following amendment:—

"That for clauses (1) and (2) of the Resolution moved by Sir P. Sivaswamy Aiyer the following two clauses be substituted:—

- ' (1) That the questions raised by the Report cannot be separated from the all-important question of self-Government in accordance with the demand put forward by the Assembly in February last, to which no satisfactory response has so far been made, and that both the questions ought to be determined simultaneously:

- (2) that in any case, when the proposals contained in the Report are examined, they must be examined as a whole, and this cannot be done before September.' "

Rai Bahadur Raj Narain supported the resolution and Mr. V. J. Patel observed that the discussion of the resolution had led to an impasse the only solution of which appeared to him to lie in adjourning, till the September session, the further discussion of the Resolution. Mr. R. D. Bell urged that between June and September some consideration should be shown to the Services and that nothing should be done in the meantime to increase the somewhat high feeling that existed in the matter of their pay. Sir Purshotamdas Thakurdas did not favour the amendment, supported the original resolution and pleaded that in order that the opinion of the Assembly might have the fullest weight in India and elsewhere no conditions should be put at that stage on the full, impartial and dispassionate consideration of the Report. Sir Basil Blackett considered that the Assembly would prove itself more worthy to be called thoughtful if it did not attempt to pre-judge the Lee Commission's Report before it had read it. He assured the House that it was not every single decision that might be taken on the Report which would be ante-dated, but that when and if it was decided to give financial relief of any kind to the Services it would generally be with retrospective effect from 1st April 1924. He opposed Pandit Madan Mohan Malaviya's amendment as amounting to a statement that in the opinion of the Assembly no kind of relief should be given to the Services nor should any of the other questions raised in the Commission's Report be considered until Swaraj came in, and he characterised "this suggested method of treating the Report as 'Fabian'." "It would be a direct statement to the Secretary of State," said the Finance Member, "to the Government of India, and to every one concerned, that this House is not prepared to consider the Lee Report on its merits..... We want this Report discussed on its merits. We want to know the opinion of all sections of the House and of the House as a whole, and we want to be sure that any action we take in accordance with the recommendations of the Report or in contravention of those recommendations is taken after careful and full consideration of the whole matter." In conclusion, Sir Basil remarked that if the House preferred to adjourn the debate without further discussion and without passing any resolution there would be no objection to that course. Mr. Venkatapatiraju thereupon moved that the further discussion of the resolution be adjourned and the motion was adopted. A resolution asking for the postponement of the discussion of the Lee Commission Report was to have been moved in the Council of State on the 9th June by Sir Deva Prasad Sarvadhikary in the following terms:—

"This Council recommends to the Governor General in Council—

- (a) that the Council may be given an opportunity of discussing the recommendations of the Lee Commission;
- (b) that, owing to the shortness of the time at the disposal of the Council, the discussion be allowed at the September-October session of the Council, and
- (c) that, pending such discussion, the Right Honourable the Secretary of State for India be requested not to take any action on the recommendations of the Lee Commission."

Mr. Crerar, speaking on behalf of the Government of India, said that he would be quite prepared to accept it if it were moved and pointed out that under the circumstances any further discussion at that stage would be infructuous, and that, subject to the conditions that the consideration of the Report by the Government of India and by the Local Governments must of necessity proceed and that whatever measures of relief recommended by the Lee Commission might be finally sanctioned, should have effect from 1st April 1924, the Government were prepared to accept the propositions contained in the resolution. Sir Deva Prasad Sarvadhikary thereupon did not move his resolution.

Bills.

On the 27th June two small Bills were introduced and passed without any opposition in the Council of State. These were the Indian (Specified Instruments) Stamp Bill, 1924, which was introduced by Mr. McWatters, and the Indian Soldiers' Litigation (Amendment) Bill, 1924, which was introduced by Mr. Crerar. On the 6th June the Legislative Assembly passed the latter without any amendment. The former was also passed by the Assembly on the same date but with a small amendment extending for three months the period during which validation was allowed for certain instruments, to which the Government agreed. On the 9th June the Council of State agreed to this amendment.

The most important piece of legislation during the Session, however, was the one to provide for the fostering and development of the steel industry in British India. Indeed, this was the main business for which the Session had been called. On the 27th May Sir Charles Innes, in pursuance of the policy of discriminating protection of industries in British India, introduced a Bill to provide for the fostering and development of the steel industry by increasing the import duties leviable on certain iron and steel articles and by enabling bounties to be granted to manufacturers in British India on certain such articles. The Bill which, if passed, was to remain in force only up to the 31st March 1927, amended the schedule to the Indian Tariff Act, 1894, containing the list of articles liable to the payment of duties at every port to which that Act applied. It added a sub-section to section 3 of the Act providing that if after such enquiry as he thought necessary the Governor General in Council was satisfied that articles of any class liable to duty under Part VII of the Second Schedule to the Indian Tariff Act, 1894, were being imported into British India from any place outside India at such a price as was likely to render ineffective the protection intended to be afforded by such duty to similar articles manufactured in India, he might, by notification in the Gazette Bill further provided, on the grant of a certificate by an officer authorised by the Governor General in Council in this behalf and subject to certain specified conditions, for the payment of bounties, varying from Rs. 20 to Rs. 32 per ton, on steel rails and fish plates to any company, of India, increase such duty to such extent as he thought necessary. The Bill also enabled the Governor General in Council under two conditions

specified in the Bill and with power to prescribe other conditions subject to which and the manner in which they might be paid, in each of the financial years commencing from the 1st April 1924, 1st April 1925, and 1st April 1926, to pay by way of bounties upon iron or steel wagons such sum, not exceeding Rs. 7 lakhs in any one financial year as he thought fit. In introducing the Bill, Sir Charles Innes acknowledged the great ability, the care and the impartiality which the Tariff Board had brought to bear upon a very intricate task and appealed to the House not to let the fact that the steel industry in India was represented by a single firm, the Tata Iron and Steel Company, lead to a controversy, centering round the affairs of this one company. On the one hand, the Commerce Member observed, the Tata Works at Jamshedpur which owed their existence to the genius, foresight and imagination of a great Indian must capture the imagination of every one, and on the other hand, it must be remembered that protection imposed a burden on the country. If protection was adopted, it must be adequate to the end in view, but equally it must not be higher than was necessary for that end. "Now, the end in view here is the establishment of a steel industry in India, and, moreover, of a healthy steel industry," continued the Commerce Member. "We want, of course, to preserve the existing Company, but the Company itself must co-operate. That was the reason why the Tariff Board were not able in all matters entirely to accept the figures of the Tata Iron and Steel Company." The object was to ensure that the taxpayer should not be required to pay for the misfortunes or the mistakes of a single company, and the result was that, though the proposals were drastic, they did not "place the Company on velvet," but on the contrary, imposed upon it the obligation of exercising rigid economy in order that as soon as possible they might reduce their works cost as low as possible. Sir Charles Innes warned the House that experience in other protectionist countries showed that it was easier to put on protective duties than to take them off. Coming to the crucial points of the case, he first dealt with the question as to whether the steel industry of India needed protection and contended that on the one hand there were powerful, mature, efficient steel firms in England, Scotland and on the Continent fighting for very existence in a contracted market and cutting their prices in the struggle, and on the other hand, there was the Tata Iron and Steel Company passing through a most difficult stage of its existence. It was evident that if the steel industry in India was to survive it must have temporary assistance during the present transitional period, and if it had not, it would be squeezed out. In this connection the Commerce Member referred to the manner in which the Tariff Board had dissociated themselves from the view that costs of the Tata Iron and Steel Company had been raised to an unjustifiable level by failure on the part of the technical management, and to the Board's definite conclusion that during the transitional period it was not likely that the Steel Company, unless something was done, would be able to manufacture steel except at a loss. Coming to the amount of protection required, the Commerce Member showed how it depended upon a number of other subsidiary questions, all difficult, all important, all controversial, and among these he mentioned the extent of the protection, its form and its period and maintained that the general principle underlying the recommendations

the Board had made as to the amount of protection was that the protection afforded should be the minimum required to tide the industry over the transitional period and that their criterion had been the gap between the fair selling price in India and the average market price. But their recommendation, nevertheless, was, having regard to the relative poverty of India, open to the charge that the duties proposed were in themselves very heavy. As to the form of protection, the Board had elected for specific, in preference to *ad valorem* duties, and not without good reason. The Tariff Board had examined the question of bounties and come to the conclusion that for practical financial reasons the idea of bounties must be ruled out. With regard to the period of protection, the Government of India thought that there was very good reason for the view the Tariff Board had taken, namely, that the actual duties should be guaranteed only for a period of three years and that at the end of that period the whole question should be re-investigated. "It is obviously undesirable and indeed wrong," continued the Commerce Member, "either to perpetuate or to prolong the protective duties at a pitch which experience may show very shortly to be unnecessarily high and we are quite satisfied that in three years' time the whole question, that is, of the amount of protection, will have to be investigated again by the Tariff Board. On the other hand.....it takes five years for a man embarking for the first time on the manufacture of steel to produce steel, and, therefore, if the duties are guaranteed only for three years, they do not offer much attraction for new firms to come in." In order to show how they had got out of this dilemma, Sir Charles Innes relied on the preamble of the Bill which explained that the policy of the Government of India was to protect the steel industry. It might be that for special reasons the particular duties which were proposed in the application of that policy could be guaranteed only for three years, but nevertheless, that policy remained. Dealing with the power of imposing offsetting duties conferred by the Bill on the Executive Government, the Commerce Member claimed that that was the intention of the Tariff Board themselves, that there were precedents for it in the Tariff Acts of the United States of America, and almost the same powers were vested in the Tariff Board in Australia. Moreover, the Government had tried in vain to find a satisfactory alternative to this proposal. He assured the House that if this power was given the Executive Government would exercise it with discretion and only when they were satisfied that the need was real and urgent and ordinarily they would exercise it only after reference to the Tariff Board. The Commerce Member next dealt briefly with the bounties and the protection of the subsidiary industries. He claimed that on the Government side the scheme put forward by the Tariff Board had been treated as one organic whole and asked the House to accept it as a whole. The Government were not willing to go beyond the substantive proposals for protection made by the Tariff Board after a long and careful enquiry and the Commerce Member expressed the hope that the House would take the same view. After all, they had not merely to consider the question of the steel industry but also to take into account the interests of the millions of consumers. Sir Charles Innes contended that they would be incurring a very heavy responsibility if they went beyond the proposals which the Tariff Board had reported to be sufficient for the purpose. In concluding his speech,

the Commerce Member left the question as to whether the scheme was worth adopting to the decision of the House. As a result of a resolution defining their fiscal policy which the Legislature had adopted, the Tariff Board had been appointed. That Board had made a very careful and elaborate enquiry into the steel industry in India and had found that it satisfied the conditions laid down by the Fiscal Commission and needed protection. "I think we will all agree in this House," said Sir Charles Innes, "that it will be a national calamity if that industry collapses. In all their inquiries the Tariff Board have held the balance in the most careful manner between the interests of the industry on the one hand and the interests of the consumer on the other..... We have this careful, balanced, comprehensive scheme from the Tariff Board. As we see it, the scheme is conceived in an impartial manner. It gives the minimum of protection which is required by the industry. We have embodied these proposals of the Tariff Board in this Bill, and I ask the House favourably to consider that Bill."

Mr. W. S. J. Willson said that, though he was anxious to offer assistance to this national concern, he could not accept the Bill in the form in which it had been introduced. He complained that the Bill was being rushed upon the House with undue haste and contended that immediate assistance would be given a great deal more promptly by the settlement of the matter on a bounty basis than was likely to be the case on a tariff system. He further complained that the proposal to impose duties would cause rank injustice to places like Burma and to all extremities such as Karachi and Tuticorin. In favour of the bounty system Mr. Willson urged that it would cost the country less, that it would avoid the uncertainty and unreliability as to the cost which was inevitable under the tariff system, and that if for national reasons it was necessary to support the industry it was right and proper that the cost of it should fall upon the national pocket, and that it would leave the consumer free to buy his steel in the best market. Sir Purshotamdas Thakurdas remarked that the introduction of this Bill marked a new departure in the policy of the British Government in India and wished that full appreciation should be accorded to the quarters from which this measure had proceeded. In the opinion of the Indian commercial community, instead of being rushed, Sir Purshotamdas Thakurdas felt, the Bill could not have been any longer delayed, because if it had been introduced later it was possible that the very worst effects of free trade policy might have prevailed. He asked if the Government had definitely made up their mind to give protection to the steel industry until that industry in India was built up, and if they had they should make it clear in the preamble of the Bill and also indicate that the period of three years should be looked upon as a period at the end of which there would only be an examination of details. At this stage Mr. K. C. Neogy moved that the Bill be referred to select committee. A number of speakers followed and the discussion on the Bill was continued. Pandit Madan Mohan Malaviya congratulated the Government on their decision to introduce protection in this country and maintained that no country had built up its industries merely by the help of bounties. He enquired if the Government had made up their mind to promote the Indian indigenous industries by means of such protection. In criticising the provisions of the Bill, Pandit Madan Mohan Malaviya maintained

that no system should be adopted by means of which the manufacturer who was competing from a distance would transfer his activities to India and that it would be a crime against the public interest to pass a Bill without sufficient qualifications or safeguards calculated to avoid the result which he apprehended. Mr. Jinnah urged that the Government had acted perfectly, fairly and reasonably and that it was up to the House to give them support. He objected to the bounty system, enquired as to how many industries were to be given bounties, and contended that he was surprised at the proposal made by Mr. Willson. Sir Basil Blackett dealing with Mr. Willson's suggestion remarked that if he was to be consistent in his view he would have, at any rate, to abolish all customs duties on imported steel and probably other customs duties also on the ground that they took more out of the consumer than came into the Exchequer. Once the doctrine was accepted that discriminating protection was desirable in India, Sir Basil felt that it would not be easy to improve on the method chosen by the Tariff Board. But no matter how much sympathy one had with the national achievements of those who had built up the Tata Iron and Steel Company, it could not be expected of any Government to introduce and pass legislation purely to enable that company to pay dividends to its shareholders. "The Government of India are introducing it," continued the Finance Member, "because they are convinced that, on the whole, it is desirable in the general interests of India to build up not merely a steel industry, which is already founded, but from that to go on to build up an industrial system in India with other industries increasingly numerous and increasingly strong, to get away from what might be called the somewhat lop-sided development of the India of to-day." On the question of the importation of foreign capital, Sir Basil felt that the dangers were undoubted if they were not carefully watched, but nothing could be worse for India, in his opinion, than to condemn in all its forms the use of foreign capital. He observed that the Bill for the discriminating protection of steel was being introduced as part of the general policy of developing such industries as were genuinely Indian and needed protection. "Three years hence," continued the Finance Member, "it will undoubtedly be necessary to have another inquiry and there is no fear, as the Bill is drafted, of the Government merely letting the Bill drop and doing nothing, because I would point out that the Finance Member would thereby lose a very large amount of revenue unless the Bill was replaced by another Bill." But it was necessary that the dangers of protection should not be lost sight of; protection must justify itself in the long run by increasing the national dividend; and if it did not, it stood condemned. The industrial development of India, Sir Basil felt, depended on a parallel development in other fields, and in particular, on the financial side. If the dangers of foreign capital were to be avoided, it was necessary to do everything in one's power to increase the creation of new capital in India. Side by side with the introduction of protection it was the duty of all those who were interested in India's industrial progress to watch over the creation of new capital in India by the development of all the means in their power which had that purpose in view, such as, agricultural co-operation, co-operative banks, and banking generally. "We cannot usefully regard protection as an end in itself," said Sir Basil. "Protection is one of the many means for creating that

many-sided India which we have in view, and therefore in commending this Bill to the Assembly I would like to add to it this request that all those who are interested in the furtherance of Indian industry should turn their minds at the same time to the other directions in which progress is required, progress in banking, progress in education, specially technical education, and the other directions which are necessary to create the men who are to take part in creating the industry which this Bill is destined to establish firmly on its feet." Mr. Chaman Lal observed that the Report of the Tariff Board was directly in the interests of the capitalists as against the people of India, and he urged that, if the taxpayer was to be taxed, if the consumer was going to be burdened, they must give them something that was equivalent to their sacrifice; if they must have protection, it should be protection with nationalisation. Dr. Gour asked for a declaration of the continuity of policy in the preamble of the Bill as he felt that the limitation of the life of the Bill to three years was not going to bring other competitors into the field. Mr. N. M. Joshi disclaimed the charge that he was against the first principles of the Bill, but he felt that a tariff wall was not the best method of protecting and fostering India's industries and also discounted the theory that protection was a temporary burden. He contended that if the taxpayer paid a certain amount of money to the industry it should not be given as a free gift but in the form of loans which the industry should repay when it could and urged that ample provision should be made for the protection of the freedom of the labourer. Mr. C. S. Ranga Iyer said that Swaraj was nothing but protection for Indian industries by an Indian Government, the nationalisation of industries by a national Government. Mr. V. J. Patel expressed his agreement with Mr. Joshi and Diwan Chaman Lal and asked for the introduction of a clause in the Bill requiring the Tata Company to recognise the Labour Association and to agree to the appointment of a Conciliation Board. He also said that this was the most opportune time for taking over the Tata Company and running it as a national concern, and as an alternative to it he suggested that the Company should be asked to agree that any profit over and above five per cent. on the capital should go to the State to relieve the taxpayer. Sir Charles Innes replying to the discussion said that it was the intention to make it quite clear in the preamble of the Bill that the policy was a continuous one. In defending the provisions of the Bill the Commerce Member pointed out that he was perfectly satisfied that if the scheme contained in it was carried out it would suffice to tide the existing steel industry over the difficult period that lay ahead of it. Mr. Neogy's motion was adopted and the Bill was referred to a Select Committee consisting of the following members:—

The Honourable Sir Charles Innes, the Honourable Sir Basil Blackett, Pandit Motilal Nehru, Mr. W. S. J. Willson, Pandit Madan Mohan Malaviya, Mr. V. J. Patel, Mr. Bipin Chandra Pal, Diwan Bahadur M. Ramachandra Rao, Mr. E. J. Fleming, Mr. M. A. Jinnah, Mr. Piyare Lal, Maulvi Muhammad Yakub, Dr. H. S. Gour, Mr. A. Rangaswami Iyengar, Mr. K. G. Lohokare, Mr. Jammadas M. Mehta, Mr. Chaman Lal, Mr. N. M. Joshi, Mr. K. C. Neogy, Mr. Devaki Prasad Sinha and Dr. S. K. Datta.

In the Select Committee certain changes of detail were made. The preamble was amplified, and some other alterations were made with the object of emphasizing the fact that while the protective duties specified would remain in force for three years only a statutory obligation was to rest on the Government to hold an enquiry during the course of the year 1926-27 as to the extent to which further protection was needed by the industry and as to the amount of the duties and bounties which would be necessary in order to confer that protection. A number of suggestions were made in the Select Committee, which, though they were not accepted by the majority of members, are none the less worthy of notice. Among them may be mentioned nationalisation, option to purchase, profit-sharing, and control by the Government and the Legislature. It was also suggested that the right of any company or firm to enjoy the benefit of the protection conferred by the Bill should be conditional upon the recognition by the company or firm of associations of its employees and upon its agreement to submit all labour disputes to arbitration, but it was ruled that a definite amendment on these lines would be outside the scope of the present Bill. The relative advantages of a system of bounties as compared with a combined system of duties and bounties were also considered, but a majority of the Select Committee were of opinion that the former course was impracticable if only by reason of the additional revenue from other sources which it would be necessary to raise in order to carry it out, and that, even if it were practicable, it would not for many reasons be as satisfactory in operation as the other system. Broadly speaking, the Bill did not undergo any substantial change and the Select Committee considered that it did not require re-publication.

Sir Charles Innes presented the Report of the Select Committee and the Bill as amended by it in the Legislative Assembly on the 30th May. But in conformity with the wishes of the House its consideration was postponed till the 2nd June.

On the discussion being resumed on the 2nd June Dr. S. K. Datta moved that the Bill, as amended by the Select Committee, be circulated for opinion. His motion was rejected by 51 votes against 21. A very large number of amendments had been sent in. A good many of these fell through under the President's ruling that no motion to impose a tax could be made except on the recommendation of the Crown, that the amount of a tax proposed on behalf of the Crown could not be augmented without similar recommendation, and that every motion for grant of money from the public revenues and for appropriation of public revenues or for creating a charge on such revenues could be made only on the sanction or recommendation of the Crown. Several amendments became unnecessary as a result of what had taken place in the Select Committee. Some were moved in the House but the majority of these were rejected including Mr. Patel's motion excluding from the operation of the measure the steel to be imported on behalf of the Bombay Municipal Corporation in accordance with the contract made in 1922 for the purpose of constructing water pipes, and Mr. Fleming's motion that the provisions of the Act should not be applied to the Province of Burma.

Two amendments, one dealing with foreign capital and the other exempting agricultural implements from the operation of the Bill,

deserve special mention. On the 4th June Mr. V. J. Patel moved that:—

“In clause 3, line 19, after the word ‘shall’ insert the following:—

‘On being satisfied that at least two-thirds of the capital invested in the business concerned is Indian.’”

He expressed his fear that as soon as the Bill was passed companies with foreign capital would be started in this country and demanded that proper safeguards should be provided in the Bill itself, so that the special benefit it was intended to afford should be restricted to such businesses as were carried on with Indian capital at least to the extent of two-thirds. Mr. K. G. Lohokare supported the amendment. Sir P. S. Sivaswamy Aiyer expressed his sympathy with the objects of the amendment but pointed to the difficulties in giving effect to it in the manner in which it was sought to be done. In the first place he enquired if they were all agreed or certain that the proportion of capital to be held by Indians should be two-thirds or three fourths. In the next place he further enquired at what point of time this condition was to be imposed. Finally, was this the best way of achieving the object? The amendment did not appear to Sir Sivaswamy Aiyer to touch even the fringe of the subject and the numerous difficulties which had to be surmounted. He maintained that the most suitable way of achieving the object would be to have a comprehensive measure carefully thought out and drafted for that purpose, and asked Government if they could give an assurance that they would take up the subject at once and bring up a Bill for consideration. Mr. Duraiswami Aiyangar supported the amendment. Mr. R. D. Bell contended that those who were supporting the amendment had not really thought out its logical conclusions. It seemed to him that they were engaged in the process of cutting off their noses to spite their faces. Mr. M. K. Acharya appealed to the House to support the underlying principle of the amendment in such a manner as to work the least possible harm to any one and to give the maximum benefit to the Indian industry. Mr. Devaki Prasad Sinha felt that he should associated himself with every measure, however absurd, which was going to block the passage of the Bill and supported the amendment. Sir Bhupendra Nath Mitra referred to the Report of the Indian Tariff Board and pointed out that they had said nothing to the effect that the capital should be foreign or Indian and he believed that they had good reasons for their conclusion. He also cited the Minority Report of the Indian Fiscal Commission where they had said that they would “raise no objection to foreign capital in India obtaining the benefit of the protective policy provided suitable conditions are laid down to safeguard the essential interests of India.” The Member for Industries and Labour reminded the House that Sir Charles Innes had already stated that it was the declared policy of Government that certain conditions would be imposed as soon as practicable on the employment of foreign capital for the development of industries in India, and added that the matter would receive full consideration from Government. Mr. N. M. Joshi said that labour had nothing to choose between an Indian capitalist and a European capitalist and he did not favour the amendment. Diwan Bahadur M. Rama Chandra Rao affirmed that if the amendment was accepted and if without any further examination the House committed itself to the principle that no company, unless it had two-thirds Indian capital, should receive bounties, there would be considerable difficulty in the

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working of the Bill. Mr. Jamnadas M. Mehta supported the amendment. Mr. Jinnah appealed to the House not to defeat what was within their reach in order to get at something outside the immediate object of the Bill. He maintained that the matter could not be dealt with by a small amendment. He felt that the House should carefully consider the matter and that there must be a proper, well-considered, legislative measure. Sir Basil Blackett observed that by the amendment they had raised a very big and important subject which was accidental to the Bill but was not a necessary part of it, and he maintained that if they were to conduct their debates and to pass their legislation in an orderly fashion they must make some attempt to deal with each subject on its merits and with one subject at a time. The introduction of foreign capital into India was a very difficult subject which must be dealt with by itself and could not usefully or fruitfully be tackled in an amendment to a particular clause in the particular Bill they were considering. The Finance Member had every sympathy with the sentiment underlying the amendment, but he felt that it was a sentiment which might "land India in real difficulties if it was given way to too much." The Finance Member maintained that foreign capital was a danger only under certain circumstances. "It is a danger," continued Sir Basil, "if it can come in such circumstances that it exploits the resources and the labour of the country into which it comes and at the same time is strong enough to kill internal competition. Otherwise I maintain that it is almost an un-mixed good." The Finance Member observed that the steel industry would not be encouraged unless a considerable freedom was left to foreign capital to come in and help to establish competitive industries. He further remarked that the question was one which undoubtedly required very careful examination and the Government would, in due course, have to introduce legislation to deal with it. He added that the Government would be very ready to consider, possibly in consultation with a Committee of the House if it was so desired, or in such other form as might appeal to them in general, the whole of this difficult question with a view to legislation, if necessary, to amend the Companies Act, and he asked them to be content with that assurance on behalf of the Government and not to press for the inclusion of any particular amendment. Mr. W. S. J. Willson asked the House to do nothing to cramp their own activities and not to tack on to what appeared to him a straightforward Bill a clause which would alienate the sympathies of its supporters. Mr. N. M. Dumasia opposed the amendment and Mr. Bipin Chandra Pal suggested that in place of the amendment the following should be adopted:—

"On being satisfied that these firms, companies, businesses or persons satisfy these conditions, namely, that they have a rupee capital, that they have Indian directors and that they allow facilities for Indian apprentices to be trained in their works."

Pandit Madan Mohan Malaviya asked for a clause on the lines of the one they had in the English Acts and contended that it would "do away with the apprehensions of the evils of the want of internal competition." Sir Charles Innes, rising to reply on behalf of the Government, observed, "There is a very great difference between a policy which the Government frame for their own guidance and a policy which you propose to incorporate in the law of the land. before you can incorporate

a policy of this kind in a Statute, you must have the most careful preliminary study and investigation, for there has been no unanimity among Members of the Assembly as to what the exact incidents of that policy ought to be." The Commerce Member assured the House that acting on the recommendation of the Select Committee, the Government were prepared to take up this question, to investigate it at once and to go into it with the Advisory Committee of the Indian Legislature attached to his Department. But at that particular stage he was not prepared to go any further and thought that the clauses proposed would be futile and illogical. "I ask the House to remember," said Sir Charles, "that in a matter of this kind there must be some give and take, and I do ask the House not, by insisting on amendments of this kind, to put the Government of India into a very serious difficulty, and not to imperil not only a great industry existing in India but also the future of the steel industry of India." Pandit Motilal Nehru observed that, while there was a genuine and a very natural desire in the House to protect Indian industries from foreign invasion, they were faced with the alternative that if they insisted upon it the effect would be that the Government would not accept the amendment and the Bill would be practically thrown out. He admitted that there was great force in the contention that it would be difficult to include in the Bill the complex provisions that would be necessary to attain the desired result. But he felt that there was nothing to prevent the House from committing itself to the principle without going into any details and he proposed the following amendment but expressed his willingness to make any verbal alterations in the draft which might appear necessary.

"That at the end of clause 3, the following proviso be added, namely:—

Pandit Motilal Nehru's Amendment.
 "Provided that nothing in this section and section 4 shall apply to any company, firm or other person, who starts the business of manufacturing steel rails, fish-plates or wagons after the passing of this Act except under such conditions as to the proportion of Indian capital and Indian element in the management as may be determined by the Governor General in Council in concurrence with the Indian Legislative Assembly."

Mr. Nehru opined that the one predominant note of the whole debate had been suspicion and distrust, and while refusing to agree with those who suspected that the real object of the Bill was to introduce foreign companies into this country, he felt that the Bill left a very wide door open for such companies to come in. Sir Charles Innes observed that he could not possibly agree to the amendment as it stood and thought that the best plan would be that the House should adjourn till the following day. The President observed that they had had a full discussion of the subject and that they were adjourning to enable Government to consider how far they were prepared to meet Pandit Motilal Nehru's suggestion, whether in its present form or some other modified form that might be agreed to. When the House met on the 5th June Pandit Motilal Nehru moved the amendment in the following modified form and proposed that it be substituted for Mr. Patel's amendment:—

"That clause 5 be re-numbered as clause 6 and, after clause 4, the following clause be inserted:—

Conditions qualifying for bounties.
 "5. Notwithstanding anything contained in section 3 or section 4, no bounty in respect of steel rails, fish-plates or wagons shall be payable to or on behalf of any company, firm or other person not already engaged at the commencement of

this Act in the business of manufacturing any one or other such articles, unless such company, firm or person provides facilities to the satisfaction of the Governor General in Council for the technical training of Indians in the manufacturing processes involved in the business, and, in the case of a company, unless—

- (a) it has been formed and registered under the Indian Companies Act, 1913; and
- (b) it has a share capital the amount of which is expressed in the memorandum of association in rupees; and
- (c) such proportion of the directors as the Governor General in Council has by general or special order prescribed in this behalf consists of Indians.”

He added that his amendment was conditional upon Government giving an assurance to the House that there would be an *ad hoc* Committee elected by the House to go into the question of Indian proportion in the capital and other connected questions. Sir Charles Innes remarked that in order to meet the House he was prepared to agree to Pandit Motilal Nehru's amendment and expressed the hope that the House would observe that that amendment honoured strictly the obligation laid upon Government by the statement of Mr. Chatterjee. He also said that he was prepared to take up separately the examination of the questions and was prepared to associate with Government a Committee of the Legislature *ad hoc* for that purpose and suggested that the amendment which embodied an understanding arrived at between a considerable section of the House and the Government should be put to the vote as early as possible. Later on, the Commerce Member stated that he would have no objection to that portion of the Committee which would be filled from the Indian Legislative Assembly being elected by the House. Mr. V. J. Patel disclaimed that he was a party to the understanding arrived at between Pandit Motilal Nehru and those who thought with him on the one hand and the Government on the other, and he claimed that his amendment should be put to the House before Mr. Nehru's amendment. The President held that it was perfectly open to the Chair so to regulate the proceedings as to facilitate a proper decision by the House and therefore decided to take up Mr. Nehru's amendment, and, for the time being, to keep back Mr. Patel's amendment. Mr. Nehru's amendment was adopted.

Sardar Bahadur Captain Hira Singh moved the following amendment:—

“In paragraph 7 of the Schedule in the proposed Part VII, item No. 143 be deleted. Also that the following additional articles be excluded from the operation of the Act, namely, *karahis*, *taslas*, *dols*, *khurpis*, *hausias*, plough blades, axes, and *gandasas*.”

But the President held that the amendment amounted only to a proposal to omit item No. 143 from the Schedule—picks, kodalies, powrahs, mamooties, and hoes. Captain Hira Singh based his amendment on the ground that it would benefit a large mass of the inhabitants of the country, and more particularly, those of his own Province to whom, he contended, such simple implements and utensils were even more necessary in their daily life than salt. Sir Charles Innes asked the House to remember that if they were to have a proper steel industry at all in India that industry would lead to the growth of a whole family of subsidiary industries round it. He further reminded them that the Tariff Board had

said that with a small measure of temporary protection they should assist this agricultural implements industry to make good and for that reason they had proposed this enhancement of duty on a very few classes of agricultural implements. Mr. M. K. Acharya, Lala Duni Chand and Mr. Devaki Prasad Sinha supported the amendment, while Dr. H. S. Gour and Mr. Bhubanananda Das opposed it. The motion, on being put to the House, was carried by 48 votes against 37. Another amendment which was also adopted deserves brief mention. This ran as follows:—

"That in paragraph 7 of the Schedule after item 154, the following new item be inserted:—

'Item 155. Steel—

(a) Tin-plates and Tinned sheets including Tin. Rs. 60.
tin taggers.

(b) Tin-plates cuttings. *Ad valorem*. 15 per cent.'

In the Bill as originally introduced this provision had found a place but was omitted by a majority of votes in the Select Committee. Dr. Gour asked for its restoration and was supported by Sir Sivaswamy Aiyer and opposed by Mr. W. S. J. Willson. Sir Charles Innes observed that this was essentially a matter for the House to decide, and that if Dr. Gour and Sir Sivaswamy Aiyer had not given notice of their amendments he would himself have put in an amendment to that effect in order to obtain a decision of the Assembly.

With the few additional alterations made by the amendments discussed above the Bill, as amended by the Select Committee, was passed by the Legislative Assembly on the 5th June 1924. Sir Sivaswamy Aiyer regarded it as marking an era in the history of British administration and in the economic history of British India. "For many years past," said Sir Sivaswamy Aiyer, "we have complained of the fiscal policy of Government being controlled and dominated by considerations of Imperial interest, by considerations of what was thought to be in the interests of Britain; but to-day we have passed a measure which is a recognition of our fiscal independence, however qualified some of you may think it is. Its passage is an assertion and an exercise of the right of fiscal independence which was recommended by the Joint Select Committee. I look upon this measure with great gratification as marking the practical recognition by the Government of their duty to identify themselves with the national sentiment, and to take a leading part in fostering and developing the industries of India." Nor was Sir Sivaswamy Aiyer alone in the feelings with which he welcomed the measure. Pandit Madan Mohan Malaviya also agreed with Sir Sivaswamy Aiyer that the measure was of very great importance and that its passage marked an important date in the commercial history of the country, though he felt that, as it had been shaped, the measure was much wider in its scope than educated Indians had ever demanded or the needs of the country justified.

The measure came up before the Council of State on the 9th June when Mr. Chadwick moved that it be taken into consideration. Mr. J. W. A. Bell, representing the Bengal Chamber of Commerce, who followed, was unable to support the Bill, but it was most heartily welcomed by Sir Maneckji Dadabhoy, Mr. R. P. Karandikar, Mr. G. A. Natesan and Sir Deva Prasad Sarvadhikary. The measure was also supported by Sir Arthur Froom, Rev. Dr. E. M. Macphail, Lala Ram Saran

Das, and Saiyid Raza Ali. Colonel Nawab Sir Umar Hayat Khan severely criticised the measure and expressed his intention to move at the proper stage for the exclusion of the Punjab from the operation of the Bill, but he never moved the motion. Notices of a certain number of amendments had been given by non-official members, but a good many of these were not moved. A few were moved but none was adopted. These included Mr. W. A. W. Dawn's amendment, which his colleague Mr. S. Vedamurti was unable to support, to exclude the Province of Burma from the operation of the Bill. The measure was thus passed without any amendment in the Council of State, and received the Viceroy's assent on the 13th June 1924.

The special Session ended on the 11th June. Though short, it was among the most memorable of those which have been held under the Reformed constitution. Reference has been made to the manner in which the provisions of the Tariff Bill were received. It is unnecessary to refer again to the speeches made in support of the bill. The outstanding feature of the debate was that the bill was discussed on its merits and in no party spirit; indeed the atmosphere in which this measure and the other business which was brought forward were received, debated and disposed of was very different from that which had characterised the proceedings of the Legislative Session at Delhi. At any rate, for the time being, constitutional obstruction was in suspense; and the altered temper of the Assembly was happily reflected in the manner in which a noteworthy piece of work was achieved with harmony and goodwill.

India's Parliament.

PART I.

LEGISLATIVE ASSEMBLY.

27th May 1924.

STATEMENT REGARDING THE REPORT OF THE ROYAL COMMISSION ON THE SUPERIOR SERVICES IN INDIA.

The Honourable Sir Alexander Muddiman : (Home Member) : Sir, I would ask your permission and the indulgence of the House to make a statement in regard to the Report of the Royal Commission on the Superior Services in India which is now in the hands of Honourable Members. Several questions have been asked in connection with this Report and it will probably be easier for me to make a general statement. When Honourable Members have had an opportunity of reading the Report they will no doubt observe that the recommendations of the Commission are unanimous on all main points. They cover a wide field, including the Indianization of the Services, the establishment of a Public Services Commission and the control by Ministers of the Services which the Report recommends should be recruited provincially in the future and the remedy of grievances of the Services. I should point out to the House that the Report is of an urgent character, that its main recommendations are interdependent and that this interdependence was the basis of its unanimity. The Assembly has already been assured by the Government that they propose to give an opportunity to Honourable Members to express their views on the Report, but the House will no doubt understand that neither the Government nor the Secretary of State can suspend consideration of the Report in the meanwhile. However, if after Honourable Members have had an opportunity of examining the Report there is any strong feeling in the House in favour of discussion during the current Session, Government will be glad to give an opportunity for this and will consider what arrangements could be made, although of course, it will not be possible for them to express their definite views at such short notice.

Honourable Members will understand that the Provincial Governments are vitally interested in many of the recommendations and that their views will have to be obtained by us. While the Government are anxious to obtain the views of the Assembly at the earliest possible date, it may be necessary for the Secretary of State to take decisions on matters of urgency, and in this connection I must refer the House to what my predecessor said in July 1923 and again in March 1924. I will quote what he said last July :

"We cannot here either as an Assembly or as a Government of India limit the constitutional and statutory powers of the Secretary of State in this respect, and if there are matters pressed upon him by the Royal Commission which require immediate orders, then it will be necessary to recognize his power to take a decision in advance of any discussion by the Assembly. For the rest we shall be quite prepared to allow the Assembly an opportunity of discussing the main recommendations of the Royal Commission: we shall meet any views it may advance in discussion in the usual way, and shall forward its recommendations to the Secretary of State."

I take this opportunity of announcing in connection with one of the recommendations of the Committee that the Secretary of State and the Government of India are of opinion that whatever measures of relief recommended by the Commission may be finally sanctioned, that effect, as recommended by the Commission, should be given to them from the 1st April 1924.

Diwan Bahadur M. Ramachandra Rao : (Godavari *cum* Kistna : Non-Muhammadan Rural) : Sir, may I ask the Leader of the House whether he has seen in the newspapers the statement made by Mr. Richards in the House of Commons in which he seems to have given an undertaking that no orders on this Report will be passed until it was discussed in this House ? It seems to me, Sir, that that statement is somewhat in conflict with the statement which has been made by the Honourable the Leader of the House. I should like to know definitely whether it is not possible to postpone the consideration of this Report definitely to September, and, if not, in what respects the Government of India and the Secretary of State propose to take action and what parts of that Report they propose to deal with immediately ? It seems to me, Sir, that this report imposes considerable financial burdens on this country, and I should think that it is very desirable that suitable opportunities should be furnished to this House before either the Government of India or the Secretary of State come to conclusions in regard to this matter. In these circumstances I should like to know definitely if the Secretary of State proposes, notwithstanding the statement made by Mr. Richards, to deal immediately with any portion of this Report. The Honourable the Leader of the House has stated that a suitable opportunity would be provided in the current Session if necessary for the discussion of some of the topics in the Report. May I point out, Sir, that, if that was the intention of the Government, it would have been far better if this Report had been published a month before it actually was published and placed in our hands. It was certainly possible for the Government to have taken that course. I submit, therefore, that these considerations should be borne in mind, and if there are matters which must inevitably be disposed of in this Session, I trust the Honourable the Leader of the House will make a further statement on the subject after due consideration of the whole position.

The Honourable Sir Alexander Muddiman : My attention has been drawn to a telegraphic report of a statement made in the House of Commons by Mr. Richards, but I have seen nothing more on the subject than that. We have had no official communication on that subject, only the telegraphic statement in Reuters. I am not, therefore, sure whether it is a correct report or not.

On the second point—it is far from my desire to force a discussion of this Report on an unwilling House. That is not my point at all. What I said was that if Honourable Members desire to discuss this Report, then we will do our best to give them an opportunity.

The third point made by the Honourable Member was as to what points of the Report would be dealt with. I think I have made that clear. In my statement I said it may be necessary for the Secretary of State to take decisions on matters of urgency. That is the case, but I will consider what the Honourable Member has said.

Diwan Bahadur M. Ramachandra Rao : May I know whether the Leader of the House is in a position now to say what those matters of urgency are on which the Government of India and the Secretary of State wish to take action.

The Honourable Sir Alexander Muddiman : I am not in a position to say at the present moment. I would add with reference to the Honourable Member's remark that it would have been a good thing if the Report had been published earlier, that I myself saw a copy of the Report for the first time on the 21st of May, and it would have been quite impossible for it to have been published earlier. It was not received in India till the 21st of May.

Diwan Bahadur M. Ramachandra Rao : The Honourable Member may kindly indicate to us—I do not say immediately—if there are any matters of urgency on which they should take action at once. We should like to know this as early as possible, so that we may consider the question whether any points in the Report should be discussed in advance of the debate which must inevitably come in September. That is all that we are anxious about.

THE HONOURABLE SIR ALEXANDER MUDDIMAN : I should like to take time.

Dr. H. S. Gour : (Central Provinces Hindi Divisions: Non-Muhammadan) : May I ask the Honourable the Home Member to be good enough to convey to the Secretary of State that it is the wish of the non-official Members of this House that no action should be taken upon this Report before that Report is considered by this House.

Mr. M. A. Jinnah (Bombay City : Muhammadan Urban) : Sir, the view that I wish to place before this House is this. Either the Government desire to give this House a real opportunity of expressing their opinion on the matters raised in this Report, urgent or otherwise, or not. That is the first question. If the Government desire to take immediate action in accordance with the recommendations of that Report on the ground that there are certain matters which cannot brook delay, then I would urge upon the Government to formulate those particular items of the Report which they consider are urgent and cannot wait until the September Session. When you have formulated those items and if we have no choice, we must make the best of the position and we must be given an opportunity during the current Session to raise a discussion on those particular urgent items. If the Government really desire not to exercise their power, if they think that the opinion of this House is going to receive real consideration, then no item should be determined by the Government without obtaining the opinion of this House.

The Honourable Sir Alexander Muddiman : The reply to the point just mentioned is practically what I said to my Honourable friend opposite.

Government will consider the point. I am not in a position to say more than that.

Mr. M. A. Jinnah : Will the Honourable Member be good enough, seeing that we have got only 10 days, to communicate to this House as soon as possible his decision ?

The Honourable Sir Alexander Muddiman : Certainly.

Mr. V. J. Patel (Bombay City : Non-Muhammadan Urban) : And meantime will the Government be pleased to convey to the Secretary of State, as suggested by my Honourable friend Dr. Gour, the desire of this Assembly that no action should be taken on this Report by the Secretary of State without giving an opportunity to this House to express its opinion on the various recommendations. (After a pause.) Will the Government of India be pleased to convey the wish of this House ? That is the question.

The Honourable Sir Alexander Muddiman : We have not had an opportunity of ascertaining the wishes of this House in the matter.

Mr. A. Rangaswami Iyenger (Tanjore *cum* Trichinopoly : Non-Muhammadan Rural) : You would not give us an opportunity to express our opinion.

Mr. V. J. Patel : Are the Government of India in any doubt as to the desire of this House that no action should be taken by the Secretary of State on these recommendations unless this House has got an opportunity to express its opinion ?

The Honourable Sir Alexander Muddiman : The Government of India are well aware of that.

Mr. V. J. Patel : That being so, will they convey that wish of this House to the Secretary of State ? (There was no answer.) May I take it, then, that the Government of India have no reply ?

Dr. H. S. Gour : It is certainly not unconstitutional for the Honourable the Home Member, as the Leader of this House to convey to the Secretary of State the strongly expressed desire that no action should be taken under the statutory powers conferred on the Secretary of State unless and until the opinions of this House are collected, heard and transmitted to the Secretary of State for his consideration. I think the Honourable the Home Member should have no hesitation whatever in acceding to the very reasonable desire expressed by this House.

The Honourable Sir Alexander Muddiman : The Honourable Member is treating this matter as if a Resolution had been moved and carried ; and without notice at all.

Dr. H. S. Gour : Sir, it is not a question of Resolution. It is a question of the unanimously expressed desire on the part of the non-official Members of this House. It is not a question of Resolution. And if it is a question of Resolution, is the Honourable the Home Member prepared to give us an opportunity to move a Resolution to that effect ? I understand that no non-official business is to be transacted during the next few days. If it is a question of Resolution and if the Honourable the Home Member thinks that a Resolution to this effect is called for, we are prepared to table a Resolution if the Honourable the Home Member will give us facilities for it.

Mr. V. J. Patel : Is it then that the Government of India want to drive this House to move an adjournment to express an opinion on this point ?

The Honourable Sir Alexander Muddiman : It is not the desire of the Government of India.

Mr. President : Are the Government of India prepared to convey to the Secretary of State the desire of this House as expressed by various Members that no action should be taken on any part of the Report till this House has been able to express its opinion ?

The Honourable Sir Alexander Muddiman : Certainly.

Mr. President : I take it that the Government of India are prepared to communicate the desire of this House to the Secretary of State.

The Honourable Sir Alexander Muddiman : As expressed by certain Members.

Mr. President : As the general opinion of the House.

The Honourable Sir Alexander Muddiman : That is rather a different proposition.

Mr. V. J. Patel : That means we should move an adjournment of the House to-morrow.

Mr. M. A. Jinnah : Sir, I do ask the Honourable the Leader of the House to do this much, that he should communicate to the Secretary of State for India that it is the desire of a very large body of the non-official Members on this side (*Voices :* "All" and "All non-officials.") the whole body of non-officials (*Mr. V. J. Patel :* "And also the officials.") The point Sir, that I want to make clear is this. Although we have not formally obtained the vote of this House, it is obvious that there is a very strong feeling in this House that no action should be taken unless an opportunity is given to this House.

The Honourable Sir Alexander Muddiman : I am prepared to give an undertaking in the form put by Mr. Jinnah, namely, that we should inform the Secretary of State that a large number of non-officials desire that an opportunity should be given to this House for discussion before any action is taken on the Report even on points of urgency.

30th May 1924.

MOTION FOR ADJOURNMENT.

LEE COMMISSION'S REPORT.

Mr. President : I have received a notice from Mr. Acharya of a motion for the adjournment of the business of the Legislative Assembly "for the purpose of discussing the action, as announced by the Honourable the Home Member, which has been taken by the Government of India upon the Report of the Lee Commission before affording the Assembly reasonable opportunity for considering the soundness or otherwise of the recommendations made in the

12 NOON.

said report." The difficulty that I feel about this motion is that as Honourable Members will remember, the Leader of the House the other day intimated to the House that, if the House wanted an opportunity this session of discussing the Lee Commission's Report, the Government will be prepared to give facilities for such discussion. If then, a day is likely to be given, if demanded by the Assembly, for the purpose of discussing the Lee Commission's Report, I feel great difficulty about giving my consent to a motion being made for an adjournment of the House for the purpose of discussing a matter with regard to which facilities have already been promised for a full discussion. Nor will Mr. Acharya's purpose be better served by this course because the discussion on an adjournment of the House will be a two hours' discussion and will be confined only to the particular matter mentioned in his notice, while if the House secures a day for the discussion of the Lee Commission's Report they will have a fuller and better discussion. I would like to know what Mr. Acharya's desire is before I decide on the technical question.

Mr. M. K. Acharya (South Arcot *cum* Chingleput: Non-Muhammadan Rural): With your permission, Sir, if the Honourable the Home Member will perhaps communicate to the House the particular points on which immediate action is proposed to be taken or is likely to be taken by the Government of India or the Secretary of State, which are of an urgent character, and which it may be found desirable to discuss in this House, and if, as you said, Sir, a day will be given for the discussion of these very urgent matters, leaving the consideration of the whole report to a future and more suitable occasion, I should be quite satisfied and I will not press the motion for adjournment of the House.

The Honourable Sir Alexander Muddiman (Home Member): I have at present no further statement to make to the House on the subject of these urgent matters. I quite recognise the desire of the House to have some general idea of what they are being asked to discuss. I have no desire to rush the House into a discussion of a general character if they are unwilling to undertake such a discussion. I should like to point out, if I may, what our position is. We brought this report into this Chamber as early as we possibly could. The Report was not received in India till the 21st May and we could not have had general circulation of the Report in India till the very day on which it was laid here. We have acted throughout with an honest desire, a real desire, to get this Report circulated to you as soon as we could, and to give you a chance of discussing it. It was a very easy thing to have withheld publication of this report till after this session. We did not desire to do so. We have no desire to rush the House into a discussion on all the points in the whole of the Report if it is unwilling. We ourselves, speaking for myself, would require much more consideration for dealing with the Report in that way. As to urgent matters, I am myself in a difficulty. I carried out the wishes of the House expressed the day before yesterday and I have already informed the Secretary of State that it is the desire of a large number of non-official Members of the House that no action should be taken till they have had an opportunity of discussion, and I personally, if I may say so, recognize that this is an intelligible desire. It is difficult for me to say what class of matter is likely to be dealt with as urgent, but I may at least refer

to one kind. I am told that there are pressing questions regarding appointments which have to be made urgently. Are these appointments to be made by the Secretary of State under the old rules or are they to be made by the High Commissioner under the new rules? That is obviously an urgent matter; but I cannot go beyond what I have said to-day.

Mr. Devaki Prasad Sinha : (Chota Nagpur Division : Non-Muhamadan) : May I inquire, Sir, when you propose to make that statement?

The Honourable Sir Alexander Muddiman : I have gone as far as I can at present, and if I can make a fuller statement I will make it.

Diwan Bahadur M. Ramachandra Rao (Godavari *cum* Kistna : Non-Muhamadan Rural) : May I inquire when you propose to make that statement?

The Honourable Sir Alexander Muddiman : When I obtain the information which will enable me to make it.

Mr. A. Rangaswamy Iyenger (Tanjore *cum* Trichinopoly : Non-Muhamadan Rural) : Will it be made at such a time as will leave the House time to discuss it?

The Honourable Sir Alexander Muddiman : I hope so; certainly.

Mr. Jamnadas M. Mehta (Bombay Northern Division : Non-Muhamadan Rural) : No action will be taken in the meantime?

The Honourable Sir Alexander Muddiman : It is only a question of a day or two. Certainly no action will be taken.

Dr. H. S. Gour (Central Provinces Hindi Divisions : Non-Muhamadan) : May I draw the attention of the Honourable Member to a telegram dated May 20th which reads as follows :

"In the House of Commons to-day, replying to Mr. Walter Baker and Mr. Mills, Mr. Richards said, no order on the Lee Commission's Report would be passed without the Report being discussed in the Legislative Assembly."

The Honourable Sir Alexander Muddiman : My attention has already been drawn to that, but I have only seen the telegraphic report in the papers. I may tell the House that I have wired to the Secretary of State to know what was said exactly.

Mr. President : The position is this, that the Leader of the House has told us that he would in a day or two formulate to the House.....

The Honourable Sir Alexander Muddiman : If I am enabled to do so by that time.

Mr. President : He will, if he is enabled to do so, formulate the urgent points which the House might discuss and that a day will be given.....

The Honourable Sir Alexander Muddiman : Certainly.

Mr. President : to the House for discussing the matter. In view of that I do not think Mr. Acharya will press his motion.

Mr. M. A. Jinnah : (Bombay City : Muhammadan Urban) : May I say one word on this point? I should, Sir, feel very much obliged if the Honourable Member will give us such items as he considers urgent by this evening, or this reason, Sir, that probably on Saturday and Sunday we may have

time to consider our point of view on these urgent matters. If the Honourable Member does not give us a statement by this evening or circulate it amongst Members, then, Sir, we shall have very little time. We have only got a few days. Supposing the Honourable Member makes a statement on Monday. Tuesday is a holiday and we shall not be sitting on that day. Or supposing he makes a statement on Wednesday and he asks us the very next day to proceed with a debate I think the Honourable Member will recognise that that will be still more unfair than what we are asked to do now.

The Honourable Sir Alexander Muddiman : I quite agree with the Honourable Member, but I assure him that, as soon as I am in a position to do so, I will communicate the information to the House. But any information that I am in a position to give I will communicate to Honourable Members either by way of circulation or whatever is the most expeditious way. I quite understand the Honourable Member's point.

Mr. President : What Mr. Jinnah requests is that, while you will communicate to the House the information that you will get from the Secretary of State as regards the urgent points, you yourself (addressing the Honourable the Home Member) will tell the House what matters you consider will be regarded as urgent. In other words you may anticipate what matters are likely to be considered urgent by the Secretary of State and you can intimate them to the House. That is what I understood Mr. Jinnah to say.

Mr. M. A. Jinnah : I shall feel obliged if the Honourable Member can tell us what in his own view he expects this House to discuss in the current session. Of course if the Honourable Member wants to add to or amend that list he can do so by circulation as expeditiously as he can.

The Honourable Sir Alexander Muddiman : I am sure that if I am in a position to give the Honourable Member the information he asks for it will be given at once. It must be remembered that the option of discussion is with the House. I am myself in some difficulty. Anything may be urgent. I have indicated an example of a point of urgent importance.

Diwan Bahadur M. Ramachandra Rao : Can you not make an intelligent anticipation ?

Mr. V. J. Patel (Bombay City : Non-Muhammadian Urban) : Has the Honourable Member not read the report ?

The Honourable Sir Alexander Muddiman : The Honourable Member has read the report.

Dr. H. S. Gour : May I in this connection point out that as the final orders are to be passed by the Secretary of State in the exercise of his statutory powers the matters which are treated as urgent are matters which the Secretary of State should state are urgent and point out that he is prepared to exercise his statutory powers. It would be immaterial if the Honourable the Home Member were to give us the matters which he individually or the Government of India regard as urgent because they may differ from the Secretary of State and the latter in the exercise of his statutory powers may dispose of certain matters which he regards as urgent. What we are anxious about is that no statutory powers of the Secretary of State should be exercised without previous discussion by this House.

5th June 1924.

REPORT OF THE ROYAL COMMISSION ON THE SUPERIOR SERVICES IN INDIA.

The Honourable Sir Alexander Muddiman (Home Member): Sir, in

12 Noon.

my statement of the 27th May, I drew the attention of the House to the Report of the Royal Commission on the superior Civil Services. I emphasised the urgency, the unanimity and the interdependence of the recommendations of that body. I should like again to emphasise that the Government of India are most anxious that these recommendations should be disposed of with the least avoidable delay. I repeated the assurance previously given that the House shall have an opportunity of discussing the recommendations of the Report but I explained it might be necessary for the Secretary of State to take decisions on matters of urgency.

I pointed out, as had been pointed out by my predecessor on several occasions and as I was bound to do, that nothing which the Government of India or this House could do would bind the Secretary of State in the exercise of his statutory powers. The House is anxious to be informed of the nature of the urgent matters on which it may be necessary or might be necessary for the Secretary of State to take decisions and I promised to lay before the House such information upon the point as I was able to obtain.

I now proceed to give the House that information. I will take the summary of recommendations in the Report we find at page 62. The first recommendation to which I would draw attention is recommendation No. 2 which deals with recruitment in the transferred field, and also recommendation No. 4 which deals with the method of appointment of the central services.

I may explain on that point that it may be necessary to pass immediate orders dealing with recruitment at any rate in individual cases falling under these heads. I understand that certain officers must be recruited.

The next point to which I should like to invite attention is to a very important portion of the Report—probably the House will be greatly interested in it,—certainly the Services at any rate will be more interested in it,—paragraphs 18 to 24.....

Pandit Sham Lal Mehru (Meerut Division: Non-Muhammadian Rural): May I request the Honourable Member to speak a little louder?

The Honourable Sir Alexander Muddiman: I am very sorry, I am speaking as loud as I can.

.....Paragraphs 18 and 24 which deal with pay and paragraphs 34 to 48 which deal with pensions. In connection with that, I had been asked a question with regard to an answer given in the House of Commons, but at that time I had not seen the actual wording of the answer. In the reply in the House of Commons on the 20th May it was made clear that the Secretary of State intended to comply with the wish expressed by the Assembly that no orders should be passed on these points without the Report being discussed by the Indian Legislature.

Of the remaining recommendations which call for urgent orders, the Secretary of State is of opinion that recommendation 28 is one of that nature. It deals with the case of military officers serving in the Political Department.

With reference to recommendations 30 to 33 which deal with the question of passages, the matter is under the consideration of the Secretary of State, and he must retain liberty of action in the matter.

Recommendations 48 to 50 are under examination by the Secretary of State. Those recommendations relate to family pension funds and independent actuarial investigation of the position of the Indian Civil Service Family Pension Fund and the closing of the existing Pension Fund. Those are the matters on which I have received information, and I place all the information in my possession at the disposal of the House.

Diwan Bahadur M. Ramachandra Rao (Godavari *cum* Kistna; Non-Muhammadian Rural): May I suggest to the Honourable the Home Member that he might be good enough to have the statement he just made printed?

The Honourable Sir Alexander Muddiman: Certainly.

Mr. Chaman Lal (West Punjab; Non-Muhammadian): Do I understand the Honourable the Home Member to say that no action on the Report will be taken until this House has discussed the Report?

The Honourable Sir Alexander Muddiman: I have made a very definite statement to the contrary.

Mr. Chaman Lal: What I would like to know is this: beyond the urgent matters mentioned by the Honourable the Home Member, will no action be taken on any other part of the Report?

The Honourable Sir Alexander Muddiman: I have instanced the urgent matters on which action has to be taken. The natural presumption is that on other matters no such action is needed.

Mr. M. K. Acharya (South Arcot *cum* Chingleput; Non-Muhammadian Rural): May I know, Sir, if it was not the intention of the Honourable the Home Member to allot a day to the discussion of urgent matters during the session? It was on that understanding that I did not press my motion for adjournment?

The Honourable Sir Alexander Muddiman: I have not received any application from any Member for that purpose, but there is a motion by Sir Sivaswami Aiyer which is put down for Saturday.

Mr. M. K. Acharya: We were told the other day that what were considered specific urgent matters would be laid before the House and a day found for their discussion?

The Honourable Sir Alexander Muddiman: I have communicated the urgent matters to the House, and it is open to any Member of the House to take such action as the rules would allow in regard to this matter. I have explained in my previous statement that if any Member of this House wishes to raise the question, I should be glad to consider it.

Mr. A. Rangaswami Iyengar (Tanjore *cum* Trichinopoly; Non-Muhammadian Rural): Am I to take it that at present Government do not propose themselves to come up before the House and take its opinion?

The Honourable Sir Alexander Muddiman : You may take it that way.

Mr. Devaki Prasad Sinha (Chota Nagpur Division : Non-Muhammadan) : Are we to understand that the recommendations regarding the passage mentioned in paragraphs 30 and 33 will be given effect to immediately ?

The Honourable Sir Alexander Muddiman : I will read again what I said on that question. Recommendations 30 to 33 which are the recommendations in question are under the consideration of the Secretary of State, and he must retain liberty of action in the matter.

Dr. H. S. Gour (Central Provinces Hindi Divisions : Non-Muhammadan) : May I inquire, Sir, what would be the financial liability if urgent action is taken upon these matters ?

The Honourable Sir Alexander Muddiman : I cannot answer that offhand.

Diwan Bahadur M. Ramachandra Rao : I wish to make myself quite clear on one point. I want to know whether in regard to pay and allowances, the only question which is considered necessary is the pay of the military officers serving in the Political Department ?

The Honourable Sir Alexander Muddiman : That is so. It does not fall within the general recommendations.

Mr. Devaki Prasad Sinha : Do the Government of India agree with His Majesty's Government regarding the special urgency about the recommendation in respect of passages and family pension fund ?

The Honourable Sir Alexander Muddiman : I am not prepared to make any statement on that.

Diwan Bahadur M. Ramachandra Rao : I want to be clear on one more point, Sir. Assuming that some of us, in view of the statement made by the Honourable the Leader of the House, wish to table Resolutions, may I know whether those Resolutions will be considered by you and admitted and placed on the agenda on Saturday along with my friend's Resolution ? It appears that there is no other non-official day allotted in this session. I would therefore suggest for your consideration that you may fix 2 p.m. tomorrow as the time within which Resolutions may be received by you in connection with the matters referred to by the Honourable the Leader of the House ?

Mr. K. G. Lohokare (Bombay Central Division : Non-Muhammadan Rural) : I also wish to make the same request, Sir.

The Honourable Sir Alexander Muddiman : I have no objection.

Dr. H. S. Gour : May I know, Sir, if the Honourable the Home Member has received any reply from the Secretary of State to the communication he sent to him expressing the desire on the part of this House that no action should be taken by him on the recommendations of this Report without consulting this House ?

The Honourable Sir Alexander Muddiman : I cannot say that I have received any specific reply, but the Secretary of State has pointed out that he is committed to certain things which I have already read to the House.

Mr. M. A. Jinnah (Bombay City : Muhammadan Urban) : It seems to me, Sir, a great deal of confusion has arisen in this matter, and I want definitely to know the position of Government in the matter. As I understand the Honourable the Home Member, he says that he has given us the information that there are certain urgent matters on which the Government of India and the Secretary of State for India are going to take action.....

The Honourable Sir Alexander Muddiman : May take action.

Mr. M. A. Jinnah : I take it, Sir, that it only means they will take action. If the Government of India say that there is no likelihood of any action being taken until we have discussed the Report, then I can understand it ; but I do say most respectfully the word "may" does not in any way alter the situation. As I understand it, the Government of India take up this position, that the Secretary of State will take action on matters which are urgent matters, and further, the Government of India are not prepared either to allot a particular day or to give us sufficient time for the purpose of discussing even those urgent matters, leave alone the whole of the Report. That, Sir, I think, is not a right position to take up.

Mr. President : The Honourable the Leader of the House says that he will receive Resolutions on these subjects.

Mr. M. A. Jinnah : But when ?

Mr. President : Resolutions will be received by 2 p.m. to-morrow.

Mr. M. A. Jinnah : Then, Sir, when will a day be allotted ?

The Honourable Sir Alexander Muddiman : Saturday.

Mr. Jannadas M. Mehta (Bombay Northern Division : Non-Muhamadan) : Why not make it Monday ?

The Honourable Sir Alexander Muddiman : It depends on the progress of the Tariff Bill. I have no objection to Monday.

Voices : "Saturday, Saturday."

Mr. M. A. Jinnah : I want to make one more point clear. It is for you, Sir ; I know that you will have to dispense with the Standing Orders. A Resolution cannot be moved in this House.

The Honourable Sir Alexander Muddiman : I understood the Honourable the President said he was willing to take it in this House.

Pandit Shamlal Nehru : May I ask, Sir, if the Honourable Member will have any objection to read the Secretary of State's reply to this House ? Sir Malcolm Hailey would have done it.

The Honourable Sir Alexander Muddiman : I do not propose to do so.

Mr. Devaki Prasad Sinha : Have the Government of India considered the financial value of these two proposals ? How much cost it will entail on the public revenues of India ?

Mr. President : Dr. Gour has already asked that question and it was answered.

5th June 1924.

RESOLUTION *RE* THE LEE COMMISSION'S REPORT.

Sir P. S. Sivaswamy Aiyer (Madras : Nominated Non-Official) : Sir, the Resolution which stands in my name runs as follows :—

" This Assembly recommends to the Governor General in Council that he will be pleased to convey to the Secretary of State the opinion of this House :

- (1) that it is impossible for this House during this session to devote to the Lee Commission Report which was published on the 27th of May, the attention that it requires for a careful and thorough examination of its proposals in all their aspects and bearings and that for this purpose it is absolutely necessary to afford further time to this House till the September session ;
- (2) that the interval of three months asked for by the House for the consideration of the many important issues involved will neither cause any hardship to the services which will obtain any financial relief that may be eventually decided upon with effect from the 1st of April 1924, nor affect public interests by impeding recruitment for the services during the interval which may proceed on the existing lines ;
- (3) that any attempt to give effect to the recommendations of the Commission without giving adequate time to this House and the country to form an opinion upon proposals of a far-reaching character with their inevitable repercussions on other departments and services is bound to be resented as exhibiting a supreme disregard of Indian public opinion and to provoke feelings of widespread discontent."

Pandit Shamlal Nehru (Meerut Division : Non-Muhammadan Rural) : On a point of order, Sir. May I know if a Member is in order in moving a Resolution when there is no fresh President appointed by His Excellency the Viceroy ?

The Chairman : The Honourable Member assumes that there is no President. I can assure the Honourable Member that there is a President of the Legislative Assembly.

Pandit Shamlal Nehru : Can the President leave the station and go on private business in a law court ?

Mr. Chairman : The statement for which the Honourable Member has made himself responsible is not a matter for this House to consider.

Sir P. S. Sivaswamy Iyer : Sir, the request contained in my Resolution is, on the face of it, extremely reasonable. I hope that before I sit down I shall be able to persuade the Government to accede to this request. The Honourable the Leader of the House made a statement a few days ago to this House, and in that statement he emphasized the anxiety of the Government of India and of the Secretary of State to deal with the recommendations of the Lee Commission's Report with the least possible delay. Sir, I can well understand this anxiety of the Government of India and the Secretary of State to deal with this matter with as little delay as possible. The Honourable the Home Member also took care to point out that neither the Government of India nor this House could possibly bind the Secretary of State in regard to this matter. We are too painfully aware of our limitations and also of the limitations under which the Government of India are themselves labouring. We cannot forget them. Sir, I am aware of the circumstances under which this Report comes up for consideration before the Government of India and the Secretary of State. We are all aware that the superior civil services

have been crying for the last few years for financial relief. Naturally, the insistence of the services upon their demands led the Secretary of State to move for the appointment of this Commission, and the Commission having made their recommendations, the authorities in England are anxious to deal with them with the least possible delay; but the issues involved in this Report are of a most important character. The recommendations have very far-reaching consequences and they affect the progress and well-being of the country. They involve very grave commitments in the matter of expenditure. It is only right that this House should be allowed an opportunity to consider the recommendations fully and frame its proposals. In July last the then Home Member assured us that an opportunity would be given to this House to consider the Report of the Royal Commission. The opportunity that is now available to us in this session is certainly not the opportunity that was contemplated or that will satisfy us. An opportunity means an adequate opportunity for the consideration of the various issues involved. Now in this case the Report was published on the 27th of May. We have had other preoccupations. We were informed that this session was convened for the special purpose of considering the Steel Industry (Protection) Bill and only that. No doubt it was added that some minor Bills might be brought forward by the Government. Now the Report is not an easy document to digest and comprehend. I am afraid that many of the Members of this House have not had sufficient time to study and digest the Report and grasp the exact significance of all the recommendations and their effect. I may even venture to doubt whether the Honourable Members of the Government themselves are satisfied that they have been able to read the Report, digest it and consider it in all its aspects, as I am sure they would have to do before they submit their proposals to the Secretary of State. The Report comes to us under peculiar circumstances. It is a document of remarkable brevity considering the issues involved. The conclusions are not all fully supported by reasons. In fact, the reasons which led the Commissioners to draft a report of this character are obvious. The necessity of submitting their Report within a very short time was probably among the reasons which induced them to refrain from setting out all their reasons in support of their conclusions; and this drawback, which is such a remarkable feature of the Report, is referred to in the minute of Mr. Petrie who confesses that it was not possible for the Commission to set forth all their reasons in support of their recommendations. Another handicap under which we labour in considering this Report is the failure to publish the evidence on which it is based. It may be that the reasons which actuated the Commissioners who recommended that the evidence should not be published have some force, but in the absence of materials, the information, the data, on which the Commissioners came to their conclusions, we labour under a serious disadvantage in considering their recommendations and making up our minds with regard to their proposals. The Honourable the Home Member laid very considerable stress on the unanimity and the interdependence of the recommendations. That the recommendations are interdependent is obvious. It also goes without saying that the recommendations are unanimous, and I do not wish to belittle such weight as may be due to the fact that the recommendations are the unanimous proposals of the members of the Commission. At the same time I do not think that the unanimity of the Commissioners

absolves the Legislature from the duty of an independent examination of their proposals. The leading organ of the European Services in this country calls this document a sort of treaty—a treaty between the Services and the Indian politicians. To that description I must strongly demur. We repudiate the description altogether.

Now, Sir, in asking for time I should like to point out the numerous difficulties which surround the subjects dealt with in these recommendations. I should like to point out clearly how it is impossible to come to any conclusion in this session and how absolutely necessary it is that we should have reasonable time for the study of the Report and for a careful examination not merely of the particular recommendations but of all their implications and consequences. And is it not necessary to consult the Local Government on these recommendations before the Secretary of State comes to a decision? I presume that as a matter of course they will be consulted, but even the Local Governments cannot be expected to have their recommendations ready for submission by this time. They will also require time to consider the proposals and is it too much to say that even the provincial Legislatures are interested in this matter and have a right to be consulted about these various recommendations? The necessity for consulting the Local Governments, the necessity for giving some voice to the provincial Legislatures which are interested in the matter of the transferred services as well as other matters, the necessity for giving us further time—all point to the expediency of acceding to our Resolution.

I will now refer, Sir, very briefly to some of the leading recommendations in this Report for the purpose of pointing out that it is not possible to assume that there can be no honest or reasonable difference of opinion or that these questions admit only of one reasonable solution. Now, let us take first the question which appeals most to the services themselves. I refer to the question of the financial relief which the members of the Services have been claiming. I am not one of those who hold that the claims of the services in this behalf to some amount of financial relief do not deserve consideration, but there may be a reasonable difference of opinion with regard to the question of how much relief they are entitled to. Then again *prima facie* the burden that is imposed upon the finances of this country by the proposals of the Lee Commission is a heavy one. It amounts at the outset to about 96 lakhs odd, and it is expected to reach the figure of 1 crore and 25 lakhs. Last year the Finance Minister was at his wit's end to balance the Budget and he was obliged to have recourse to additional taxation of a very unpopular sort. This time he has been able to balance the Budget, thanks to a windfall. The revenues of this country are proverbially inelastic. We had to appoint only two years ago a Retrenchment Committee for the purpose of suggesting measures of economy in the administration of the Central Government. These measures which were suggested by the Retrenchment Committee have and are being carried out, and before we come to affirm that our financial position is thoroughly satisfactory or that we can depend upon an assured surplus in the future, we are invited to consider proposals for imposing an additional burden of about a crore. Now let me remark here that this estimate of a crore is at best only approximate. There are several items in the relief which is proposed to be granted which have not been properly evaluated as admitted in the report of

the Commission. For instance, take the question of the family pension fund. What amount of burden the Government will have to bear and what amount of contribution the members will have to make we do not know. It is quite possible that the fund is made up entirely of contributions by the members themselves, but I am not aware of the facts. Then again take the question of amenities in the way of medical relief. There again it has not been properly worked out. It is hardly necessary for me to refer you to chapter and verse to support my statement that some of the items of relief which are recommended by this Commission have not been properly evaluated. The calculation that is to be found in the Report is at best a rough calculation.

Now let alone the approximate character of the calculations or the fact that they are only rough calculations. We have to consider the bearing of these recommendations upon the other services and the other departments. We are all aware and the Government equally so that any demand by one department and any concession made to one department has an inevitable tendency to react upon other departments. In fact the demand is infectious, if I may be pardoned for the use of that expression. It spreads sympathetically to all the services and the departments, not to speak of the other departments and the other services. It is enough for me to refer to one. I see before me already the grim spectre of the military department casting a portentous shadow before us. Mr. Richards, the Under Secretary of State, informed the House of Commons a few days ago that the Indian military rates of pay were being considered and that the allowances of married officers in the army were being considered and that they hoped to arrive at some conclusion sooner or later. The Honourable Sir Basil Blackett informed my friend Diwan Bahadur Ramachandra Rao a few days ago that the cost of the superior civil services had risen within the last ten years by a crore. I have some misgiving that it was an under-estimate. However, I am willing to take it at that. I remember to have seen larger figures of the increase of the cost of the civil services. He also informed my friend that the cost of the military services during the last ten years had gone up by 5 crores if my recollection of reply is accurate. Now, we must remember this fact, that the strength of the establishment of the superior civil services is very much smaller than the strength of the establishment of commissioned officers in the army. The total strength of the superior civil officers is something like 4,270 and odd. In the army it comes to 7,000. We may therefore expect that, if this demand is followed up by a similar demand on behalf of the army, we shall be let in for nearly double, if not five times, the amount of expenditure. I do not know whether my apprehension that it will be five times is likely to be correct or not. However, these are matters of detail into which it is unnecessary for me to enter, which the Finance Minister may be left to solve at his leisure; but one thing is clear. If the cost of the increase in the various items of pay, allowances, amenities and so on amounts to a crore, the cost in the case of the military services is likely to be about double. Then again remember another fact, that in the case of the civil services there is a distant prospect of diminution of the burden as the process of Indianisation begins to make itself felt, but how much more distant is that prospect with regard to the military services. Now, if you remember the bearing of these recommendations upon the other departments and upon the other services,

it suggests the necessity for a very cautious and a careful examination of the whole subject, not a hasty commitment to the conclusions recommended by the Lee Commission.

In connection with this question of pay and allowances, let me in passing refer to one recommendation and that is in regard to the remittance privileges. I was under the impression that these remittance privileges were proposed to be granted in view of the necessity of officers having to remit money for the maintenance of their wives and children at home or for their education ; but, when you examine the recommendations, you find that it contains no condition whatever, no qualifications, no restrictions. The qualifications and restrictions are to be found in the case of Indian officers of the superior services who may be entitled to overseas pay and who may happen to have their wives or children staying in Europe. In their case it is made a condition, but in the case of the European officers there is no such condition or qualification proposed. Apart from any question of the burden of this remittance privilege, there is this further aspect of an invidious distinction which has not hitherto been drawn between the European and the Indian officers.

Then again take the question of commutation of pensions. It is proposed to be raised from one-third to one-half. It may be that the system of commutation of pensions has much to commend it, but surely there ought to be some limit, and are we sure that the proportion which under the existing rules is one-third, which if I remember aright was raised from one-fourth to one-third, is not adequate and why it is necessary to raise the proportion to one-half ? It will have the effect of adding considerably to the liabilities of the State.

Then, Sir, with regard to the other concessions, you cannot prevent them from being applied for by other services as well. Take for example the house-rent question. You cannot possibly grant further relief in the matter of house-rent to one service and refuse to grant it to another service. They more or less always labour under the same conditions. I do not say that the fact of the grievance being fairly widespread is an argument against the recognition of the grievance. It shows that it is necessary to proceed with some amount of circumspection. Now, with regard to all these various measures of financial relief, if the recruitment of the services could have been so manipulated that the aggregate burden on the exchequer would not be increased, it might have gone some way to mitigate the objection of the country to the proposed addition. But I am afraid that this method of mitigation has not been adequately explored.

Coming now, Sir, to the organization and recruitment of the services, these are questions which cannot possibly be separated from the other questions contained in the Report. I may acknowledge here that in the matter of the provincialization of the services which are now all-India services, some advance has been made. I may also acknowledge that in the matter of the Indianization of the all-India services some advance has been made in the proportion. But the advance that has been recommended has not been such as to satisfy the expectations of the country. Now, we find that among the reserved services there are the Forest Service and the Engineering Service Irrigation Branch proposed to be reserved. So far as the Forest Service is concerned, in the provinces of Burma and Bombay it is not reserved. So far

as the Public Works Department is concerned, the Roads and Building Branch has been transferred in several provinces, but the Irrigation Branch has still been reserved, because it is said that any mismanagement of irrigation works may end in serious calamity, may end in the failure of crops and may cause a widespread calamity. But may I point out, that having regard to our experience in the south, there is no reason to entertain any such apprehensions. Taking the Forest Department, I am not aware that the conservancy of forests in the Native States of Mysore and Travancore is not up to the mark. In those states the Department is managed by Indian officers, and I should hesitate to accept the position that the Forest Department involves responsibilities of such an onerous character that we do not possess Indian talent in sufficient measure to serve the needs of that Department. Then take the Irrigation Branch of the Public Works Department. Speaking from my experience of the working of the Irrigation Department in Madras, the districts in which the irrigation services have been manned or in which the irrigation of the district has been looked after by Indian engineers have been quite happy and contented. I may even go the length of saying that the Indian engineers have been specially conspicuous for the success with which they have been able to manage the maintenance, and not merely the maintenance but also the construction of irrigation works. Some of the recent irrigation works on a large scale which have been constructed in Madras have been constructed by Indian engineers, and it is an object lesson not to be thrown away that one of the finest feats of irrigation engineering in the south is one which has been carried out by the Mysore Darbar for the purpose of damming up the waters of the Cauvery. It is an irrigation work of the first magnitude. It might not perhaps compare with the Sukkur Barrage, but it will occupy a very respectable place among the chief irrigation works of India. The Kanambady reservoir was an irrigation work which was designed and constructed by Indian agency entirely. We have no apprehensions whatever that either the construction or the maintenance of irrigation works will suffer if entrusted to Indian agency. Far from that, the maintenance of irrigation works by Indian engineers will be far more of a success, as they are officers in closer touch with the people and possess a better understanding of their wants. However, it is not necessary for me to expatiate further upon this point. I mention it only to show that with regard to the further reservation, the continued reservation, of Forests and the Irrigation Branch of the Engineering Department, difference of opinion is reasonably possible and is legitimate.

Now, Sir, there are all sorts of inquiries in the air, inquiries as to the manner in which the reforms have worked, and so on. Is it unreasonable to say that the possible extension of the area of transferred subjects is not beyond the sphere of practical politics? Even if we do not have any Royal Commission appointed, additions to the list of transferred subjects can be effected under the Government of India Act, and without asking the House to commit itself to any special opinion upon this subject, I would only point out to the House and the Government that the extension of the list of transferred subjects is not outside the region of practical politics; and if any such transfer should take place, that is a factor which will have an influence upon the decision of some of these questions. But however that may be, when I now plead only for further time for the consideration of this question, all these various factors

which I have mentioned may be reasonably expected to induce the Government to grant our request.

I should like to make only one or two remarks about one or two of the other services. Take now the security services. It is a common ground between me and the Lee Commission that it is desirable in the field of the security services to reach an equality of strength between the Indian and the European elements in the cadre as early as possible. They contemplate such an equality at the end of 15 years in the case of the Civil Service and at the end of 25 years in the case of the Police. Is it not possible to think otherwise? May we not reasonably contend that a shorter period should be fixed for the attainment of this equality? Supposing I wish to attain equality between the two elements of the cadre, I might suggest a period of 10 years. If equality is to be reached, say, in a period of 10 years, it can only be by the stoppage of English recruitment. However, even if you think that there are objections of an insuperable character at the present moment having regard to the existing constitutional position to the complete stoppage of recruitment, which I think may be safely carried out in view of the fact that it will take 10 years more to attain equality, supposing you cut down the English recruitment to 20 per cent., even then it will take 12 years to attain equality. These are circumstances which may lead possibly to different conclusions and these are matters the consideration of which cannot be altogether put off; and it is all the more necessary therefore that we should have ample time to examine the subject carefully and come to considered conclusions.

There is one service, Sir, to which I have not yet adverted, and that is the medical service. The recommendations of the Lee Commission in this respect offer an easy target for criticism. In so far as they recommend the separation of the civil medical service from the military, I am at one with them, but in so far as they recommend a unified Royal Army Medical Corps for the purpose of looking after the needs of the British units and the Indian units, I must protest with all the earnestness I can command. We do not wish to have the health and care of our troops committed to the Royal Army Corps and to be dependent upon that service; not that I am suggesting any reflection upon the capacity or ability or skill of the Royal Army Medical Corps but there are serious disadvantages involved in that course. In the first place, the Royal Army Medical Corps would not be subject to the Government of India but would be subject to the control of the War Office and the Imperial Government, and the Indian Government will have very little voice with regard to that Corps. In the next place, the Royal Army Medical Corps has always admitted only persons of pure British blood and has never admitted Indians. We do not want to pay for a corps from which our own countrymen will be excluded or which will not be subject to the control of the Government of India. There is another factor yet. The Royal Army Medical Corps, as now constituted in India, is for the purpose of providing for the health of the British troops. I look forward to a gradual and a steady diminution in the number of British troops and it necessarily involves a gradual diminution in the strength of the medical personnel required in regard to the British troops. I should therefore have the strongest possible objection to forming a unified medical corps to be called the Royal Army Medical Corps and dependent not upon the Government of India but upon the control of an outside authority. The recommendations

of the Lee Commission are based upon what I may perhaps presume to call an antiquated document, Lieut.-General Burtchaeil's Report. At the rate at which the world is moving a document of 1919 may fairly be regarded as antiquated. There was a burning question and Lieut.-General Burtchaeil framed a Report after the Verney-Lovett Report. But subsequent to that, we had another Report by the Esher Committee which went into the whole subject, very elaborately examined all the various alternative proposals and came to conclusions. Not that I am in agreement with the conclusions of the Esher Committee. I welcome the recommendations of the Lee Commission in so far as they advocate a civil medical service but the proposal to form a unified Royal Army Medical Corps is one which, to my mind, is open to the gravest possible objection.

Now, I pass on, Sir, to one proposal of the Lee Commission which has my unqualified approbation and that is about the appointment of the Public Services Commission. Now, these questions which are dealt with by this Report are all so complicated, so intricate, so interdependent, that they require a much larger allowance of time than we have had for their consideration. It may be said that there are questions of an urgent character which cannot afford to wait for three months, but my Resolution meets that contingency. I suggest that, if there are urgent questions of recruitment during this interval of three months, you may proceed to recruit on the existing lines. That is a fair and a reasonable offer. I do not ask you to stop all recruitment during this period of 3 months and cause any plausible inconvenience or injury to public interests. In the matter again of relief of individuals, if you find that there are cases of urgency where some relief has to be granted, speaking for myself, I have no objection to your granting relief, provided that you do not commit yourself to any decision upon the question of principle or policy involved and provided you recognise that any allowance or sum that may be paid to an individual officer must be capable of readjustment in the event of a contrary decision. If you do not have to make any payment now by way of immediate relief and if you consider that it would be a hardship to officers concerned to have the relief for which they have been claiming and which now seems to be in sight postponed, I have no objection to its being granted with retrospective effect from the 1st April 1924 as recommended by the Lee Commission. I make these offers because, I think, they are only fair and I think that they obviate the necessity for any decision upon any question of principle or policy. If you can do these two things, if you can grant retrospective relief, if you can make the appointments which may be required during this interval of three months, I fail to see how public interests can possibly suffer or how individual officers can suffer any hardship in the event of my proposal being accepted. I submit, Sir, that the request that we have made is extremely reasonable and I hope that the Government will see their way not merely to granting this request of ours but also to supporting the request and sending the Resolution of this House to the Secretary of State with their own strong recommendation for the purpose of postponing a decision on these matters to the end of September. Let me only add this that any attempt to rush into a decision on such important questions cannot fail to produce the impression that the services have been exercising their influence upon the Government of India and the Secretary of State. Any impression of that kind is certainly not

calculated to promote their popularity or to make our deliberations more cordial than they are at the present moment.

With these words I move my Resolution.

Mr. Chairman : Resolution moved :

" This Assembly recommends to the Governor-General in Council that he will be pleased to convey to the Secretary of State the opinion of this House :

- (1) that it is impossible for this House during this session to devote to the Lee Commission Report which was published on the 27th of May, the attention that it requires for a careful and thorough examination of its proposals in all their aspects and bearings and that for this purpose it is absolutely necessary to afford further time to this House till the September session ;
- (2) that the interval of three months asked for by the House for the consideration of the many important issues involved will neither cause any hardship to the services which will obtain any financial relief that may be eventually decided upon with effect from the 1st of April 1924, nor affect public interests by impeding recruitment for the services during the interval which may proceed on the existing lines ;
- (3) that any attempt to give effect to the recommendations of the Commission without giving adequate time to this House and the country to form an opinion upon proposals of a far-reaching character with their inevitable repercussions on other departments and services is bound to be resented as exhibiting a supreme disregard of Indian public opinion and to provoke feelings of widespread discontent."

The Honourable Sir Alexander Muddiman (Home Member) : Sir, if I rise early in this debate, it is because, I think, it is desirable that I should make clear the position of Government in regard to this Resolution as early as possible. Such a statement, moreover, may possibly save the time of the House. I propose to confine myself strictly to the terms of the Resolution which has been so ably moved by my friend opposite. He has made, I think, a considerable study of the Report as is easily seen from his speech, but the actual Resolution merely deals with the question that the Report should be brought before this House for the purpose of consideration. The Resolution asks that the proposals of the Lee Commission should be examined during the September session. The Honourable Member argues that the interval will neither cause hardship to the services nor affect the public interest. He contends that any attempt to rush the Report of the Commission through this House would lead to wide discontent and would, in fact, amount to a breach of the various undertakings which have been given on this subject from time to time by my predecessor and by myself. Sir, it is most desirable that in a matter of this kind we should look at all the interests concerned. I was a little struck in the Honourable Member's speech by the amount of time he devoted to the services. The services are, of course, very important, but the recommendations of this Report do not merely confine themselves to the services. They are of a wider character. And I wish to emphasise that the urgency of the report rests on a three-fold basis. It rests on the progress towards provincialisation. It rests on the progress towards Indianization. And it rests on the well-being of the services. It does not rest on the one factor alone.

The Warrant of appointment issued by His Majesty when he appointed the Commission specifically directed the Commission to report " with as little delay " as possible. I wish to take this opportunity of acknowledging the great expedition with which the Lee Commission brought their labours to a unanimous conclusion. They assembled in India on the 4th of November

923 and they finished their report on the 27th of March 1924, though it was not received in India till the 21st of May 1924. Their recommendations, as my Honourable friend has informed the House, are of the greatest importance and are of a far-reaching character. I accept this. Still, an early decision on their proposals is of importance—of great importance to those of the services which are waiting to know what is to be their future, of great importance to the Government of India who want to know their position in connection with the services and of great importance for the purpose of future recruitment. The latter will be seriously prejudiced as long as matters are left undecided. These are all important points. I will quote here what the Royal Commission themselves say on this point :

"We would also venture to urge that there should be as little delay as possible in considering and acting upon our proposals. We have striven to respond to the official request that we should treat our inquiry as a matter of urgency, and having done so we suggest that the position is one in which the principle of *bis dat qui cito dat* is of special application."

Here I should like to make it perfectly clear that this reference is not merely intended to apply to the relief of the services but to a rapid disposal of the other recommendations contained in the Report. So much Sir, for the urgency of dealing with the Report. But I have no intention of suggesting that when you are dealing with this report you should deal with it in a haphazard way, without due consideration and without due examination. I said once before that I have no desire to rush this House on an unwilling discussion of the Report which even we on this side have not examined in the way in which we ought to before coming to a final conclusion. In spite of the urgency of the Report, the Government of India and the Secretary of State are prepared, and have always been ready to give an opportunity to this House to express its views on the proposals before we arrive at conclusions. Such a promise, to my mind, would not be properly carried out by our attempting to rush the Report through in a session like this. As my Honourable friend said, this session was called for for a special purpose. It is a mere accident that the Report happened to be published on the day the session started. We brought the Report to your notice as early as we could regardless of the consequences which such a course must bring upon ourselves. The session, moreover, has been one of a very arduous character and Honourable Members have frequently been detained in this House up to late hours and I may say Members on this side of the House too. Therefore, if the House is really anxious to discuss this Report on its merits, as my Honourable friend no doubt says, there will be no difficulty on this side to give an assurance that that opportunity should be given. But we cannot contemplate the possibility of this Report becoming, as my Honourable friend said, an antiquated document. An antiquated document, according to his definition, is a document which goes as far back as 1919. According to my definition it will be a document that does not go nearly so far back, and in any case we cannot possibly contemplate the possibility of the Lee Commission's Report getting into that position. Therefore the discussion must take place as early as is compatible with the considerations which my Honourable friend has so ably put before the House. We on this side are perfectly willing to give an adjournment to enable the Report to be discussed in a reasonable way after due examination. That, Sir, has been our position throughout. But the postponement should be on *bona fide* grounds. The House, when it meets us in September next, must be

ready to discuss the Report on the merits. I will deal as frankly with the

1 P.M.

House as the Honourable Member has dealt with me. He asks I think that no decision should be arrived at on any question of principle or policy till the House had an opportunity for considering the Report. Sir, since I last addressed the House, I have had an opportunity of communicating with the Secretary of State and I have received instructions of a different character to those which I communicated to the House the other day. Honourable Members will remember that certain matters were reserved as urgent, and there was a fear in the minds of many Members in this House that on these matters orders would be passed behind their backs. Put in blunt language, that was the fear and that was the cause of some distrust. Well, I think I can disabuse their minds of that fear. I am prepared to give, on behalf of the Government of India and also of the Secretary of State, a pledge that no decision on any question of principle or policy shall be arrived at till this House has had an opportunity in the September session of examining the matter, on the understanding that the House passes a Resolution substantially in the terms of my Honourable friend's Resolution. I shall be willing to accept it, and I hope the House will be willing to accept it.

Mr. A. Rangaswamy Iyengar (Tanjore *cum* Trichinopoly : Non-Muhammadan Rural) : Are those the Secretary of State's instructions ?

The Honourable Sir Alexander Muddiman : Those are the views of the Secretary of State and the Government of India.

Mr. V. J. Patel (Bombay City : Non-Muhammadan Urban) : That a Resolution should be passed in the terms in which Sir Sivaswami has moved it ?

Mr. K. Venkataramana Reddi (Guntur *cum* Nellore : Non-Muhammadan Rural) : Has the Resolution been communicated to the Secretary of State ?

The Honourable Sir Alexander Muddiman : It would be rather difficult for him to pass orders if it had not. We have met you wherever we can, both the Government of India and the Secretary of State. We have decided to deal with the House perfectly frankly, and I put the case before you in the simplest manner I can. If the House accepts that view, ample opportunity will be allowed to the Indian Legislature to discuss the conclusions of the Report. There must be no suspicion however that we are wasting our time in the meantime. The Government of India and the Local Governments must proceed with the further examination that my Honourable friend referred to ; they must go through the Report and examine it in every way. There are many complicated issues in it. We cannot put this aside for a moment, we shall have to do all we can in the next three months, otherwise the delay of the interval would be of no value at all. It is of course true that the decision to grant relief to the services with effect from the 1st April goes some way to meet the immediate urgency of issuing orders. If Honourable Members think too much consideration has been laid on this point, I would like to remind them of the history of this case. The pay of the superior civil services in India was revised generally about the end of 1919 as the result of a Commission, which reported in 1915. The decision was arrived at in 1919, and that will fall within the Honourable Member's definition of an anti-

quoted document. At that time, before the end of 1920, this policy had broken down. Towards the end of the year 1920 and in 1921, a very large number of memorials were received from members of the Superior Services complaining of the inadequacy of their pay and pensions. Well, Sir, there was, and there is, a widespread feeling of discontent in the Services—that is undeniable and, however you recruit your services and whatever your form of Government, and whether you pay your services or do not pay them adequately, it is not wise to have discontented services. That I think the House will readily admit. I merely put this point to the House with the object of showing, that if relief is granted from April 1924, that relief will be to meet cases of grievance at least three years old at that date. Well, Sir, I do not know that I have much more to say on the point. I do not propose, nor do I think after the announcement I have made to the House, it is necessary or even in order for me to refer to any of the details of the Report. We take the Report as a whole; we say we shall postpone discussion at your request, and we will take it up in September. Therefore, I do not propose to take up any of the points of the Report itself. I trust the House will think I have dealt quite frankly with it and that the statement I have made will shorten this discussion.

Mr. V. J. Patel : Sir, it is really somewhat difficult to understand what we are really discussing. (*A Voice* : "Louder please.") I find it difficult to understand what exactly it is that we are discussing. It is common ground, it seems, between Sir Sivaswamy Aiyer and those who think with him, and the Honourable the Home Member and those who think with him, as also with Pandit Madan Mohan Malaviya and those who think with him, that this matter should not be discussed at this session. It appears, at any rate, to be common ground between all parties that it should be discussed, if at all, in September. These two facts being clear, I really fail to understand what it is that we are fighting for. Whether this Resolution should be passed or that Resolution should be passed is the question that is before the House. But the result appears to me to be the same. Perhaps my friend the Home Member wants some price for the postponement and that price is indicated in part (2) of Sir Sivaswamy Aiyer's Resolution. Now, I put it to him—If that is so, is it fair? Should you treat the House in this way? You are agreed that this matter should not and could not be discussed in this session because neither the Home Member nor the Members of this House are prepared to discuss this Resolution on its merits. If the Home Member is not prepared, and if the non-official Members of this House are not prepared, then the only course is to postpone the discussion till September. Why should he seek a price for this postponement? Is it right? He wants to postpone the discussion because he has not studied the Report. He has admitted that other Government Members also are not quite prepared to go into the details of this Report. Members of this House are also not yet prepared for the discussion of the Report. If that is so, is it fair for him to ask this price for this postponement? Why not keep the matter over to the September session, leaving every party free to press its own views on that occasion.

I see there are three schools of thought. There is one school of thought which would like that this Report should be discussed on its merits at a

from the question of constitutional advance. My friend, the Mover of this Resolution, seems to me to be of that opinion and there are perhaps some other non-official Members of that opinion. Perhaps the Government Members also would like it. I have not the slightest doubt that the Government Members hold the view that this matter should be treated on its own merits apart from the question of constitutional advance. This is one school.

There are others like my friend Pandit Madan Mohan Malaviya who feel that, though this matter in their opinion could not possibly be separated from the question of constitutional advance, if the Secretary of State does not accept their view and forces them to discuss the Report on its merits apart from the question of constitutional advance, then they say in the second paragraph of this amendment that "in any case" this matter should be postponed till September. Their whole point seems to be to convey to the Secretary of State the sense of this House that this is a matter which could not be separated from the question of constitutional advance and if the Secretary of State thinks otherwise, then they say they have no other alternative but to discuss it on its merits. Why should you prevent the Members of this Assembly from placing that view before the Secretary of State? It may be that the Secretary of State may be a reasonable man, not so unreasonable as you are. (Laughter.) It is just likely that he might appreciate this viewpoint. He might think that, as there is a large body of opinion in the Assembly who feel that this is a matter which could not possibly be separated from the question of constitutional advance, he should therefore agree with them and have both the matters simultaneously examined. There is just a chance. Therefore all that Pandit Madan Mohan Malaviya and those who think with him want is this: "Give us an opportunity of making this representation to the Secretary of State, and if the Secretary of State does not agree with us, then of course we will fall back upon the second part of the amendment, namely, in any case this matter should be discussed in September." The question will of course be discussed then on its merits by those who take this view. That is the second-school of thought.

There is yet a third school of thought. They think that this report should under no circumstances be considered on its merits apart from the question of constitutional reform. These two subjects in their opinion cannot possibly be separated. Even if the Secretary of State feels otherwise, decides otherwise, they are not going to have anything to do with this report. There is that school of thought also. You must remember that. They strongly feel that the manner in which this Report has come before this House for consideration is simply scandalous, to say the least of it. Members will recollect that the last Assembly, when the announcement for the appointment of this Commission was made, moved an adjournment of the House for the purpose of discussing the said announcement. They carried that motion for adjournment, thus marking their protest against the appointment of any Commission. Not only that, they went further. When the Government came forward with a demand for a grant of three lakhs of rupees for the expenditure of this Commission, the last Assembly again repeated their protest in spite of the entreaties of the Government Benches by refusing the demand for grant. I have gone through the proceedings on that occasion and I find that some very moderate Members of that Assembly had stated that, in spite of their

repeated protests the Commission was going to be thrust on this country, then the country was not going to co-operate with that Commission. Such was the manly stand that the last Assembly took. Now I put it to this House ;

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this House which claims to be more representative than the last Assembly (*An Honourable Member* : "Question") : What attitude should they adopt on this question ? The question really is, when the last Assembly had more than once entered their protest against the appointment of the Commission, first, by passing a motion for adjournment, and, secondly, by refusing the demand for the grant, then is it right for this Assembly now even to think of considering this Report. This is one ground on which, in the opinion of some Members of this Assembly, this Report should be thrown into the waste-paper basket. But there is another and stronger reason why this Report should not be considered at all by this Assembly. If this House desires to be taken seriously on the question of constitutional advance, then I say this Report should not be considered by them at all. Remember what we did in the Delhi session. We passed a Resolution asking for a round-table conference for drafting a scheme of self-government. We passed it by an overwhelming majority. Government did not respond to the satisfaction of the Assembly, and what attitude did this House then take ? (*Pandit Shamlal Nehru* : "They gave an official Committee.") Yes, this House considered the announcement made by Sir Malcolm Hailey, the then Home Member, regarding the appointment of that Committee, and thought that the announcement was an insult to this House, with the result that this House decided to refuse demands for grants. (*The Honourable Sir Basil Blackett* : "They did not do it.") They refused four grants, and when further demands for grants were made they said, "Yes, you want to spend so much money on certain departments, all right, spend it, we have no objection" ; but when you came with the Finance Bill, they said "No, thank you. We cannot pass the Finance Bill and thus supply funds to you. We did not promise you money, you asked our permission to spend and we said we had no objection ; by all means spend. But we cannot give you the money. You have for the last 150 years drained the country and you might as well spend from that." The Finance Bill was rejected. Such was the manly, courageous stand which the Assembly took. I put it to this House. Are you now going to be consistent with that attitude which you took in February and March ? If you want to be consistent, if you have any self-respect, the only course open to you is to refuse to consider the Report of the Lee Commission. I feel, however, that the Government must be congratulating themselves to find that the Assembly is by degrees going down and down and gradually giving up that fight which they began in the February and March meetings of the Assembly. (*Cries of "No, no."*) Facts are facts. This is my feeling from my experience of this session. I shall be glad to find that I am wrong. I submit that no Member who was a party to the rejection of the Budget could think of discussing this Report apart from the question of constitutional reforms. Self-respect and the dignity of the Assembly demand that this is the only right course for the Assembly to adopt. These are the three views which can well be discussed on their merits when the Report is taken up for consideration. Let us not commit any party to anything now. Let us leave each party free to express its own views at the proper

time. Let Pandit Madan Mohan Malaviya be free to express his view and our friend (Sir P. S. Sivaswamy Aiyer) to press his view, and let those who think with me be free to press their views when the Report comes up for consideration. If you think you are committing any party to anything by passing any Resolution now, you are very much mistaken. Supposing this Resolution is passed, still I submit it will be open to Pandit Madan Mohan Malaviya in September to press his view and say, "No, this Report cannot be discussed now, make a representation to the Secretary of State first that this question should not be separated from the other question of constitutional advance, and if the Secretary of State ultimately comes to a contrary decision, I might agree to a discussion of the Report on its merits." If I am right in this view, then I ask, why not make a representation now so that, when in September the matter comes up for discussion Pandit Madan Mohan Malaviya could not raise this question again? This course would facilitate the business of the House. As for the third school of thought, of course there is no remedy except Swaraj. It represents a view which will be pressed and pressed and pressed till Swaraj is obtained. Believe me you cannot get out of it; it will always be there. Even if it is in minority, it will be pressed so long as Swaraj is not obtained.

There is one other matter I would like to urge upon the attention of this House, and it is this. You may, if you decide, consider these recommendations in September, but take it from me, that any vested interests created whether with or without the assent of this Assembly will not be safe. You have no right to create any further vested interests at this stage. At the earliest possible opportunity the country, which I venture to submit is not fully represented here, will repudiate any such vested interests. You are mistaken if you think you are merely concerned with the consent or assent of this Assembly. Remember that there is such a body as the Indian National Congress representing the country. Take note of it; you may laugh at it; you may disregard my warning (Laughter), but there it is. Before I sit down I should like to repeat that when all parties are agreed that this matter should not be taken up now, the best course is not to pass this Resolution or that Resolution; but to allow the whole matter to go over to September when every point of view will be fully discussed and all the three schools of thought will have free scope. I think therefore the only solution of this *impasse*—if I may call it so—is for someone to move that the further discussion of this Resolution be adjourned till the September session.

Mr. Chairman : Does the Honourable Member move that proposition formally?

Mr. V. J. Patel : I do not think I will move it.

Mr. R. D. Bell. (Bombay : Nominated Official) : Sir, Mr. Patel in the earlier part of his speech has referred to a point on which I should like to make a few remarks. In referring to clause (2) of Sir Sivaswamy Aiyer's Resolution, he delicately mentioned the price which the Honourable the Home Member has consented to take in return for the Resolution. Pandit Madan Mohan Malaviya referred to the failure of the Commission to publish its evidence, and one can recognise now that there are certain disadvantages in that course. It is for this reason that I wish to put before

the House a few facts. I rather feel that I am in the position of a shareholder in an Iron and Steel Company speaking on a Tariff Bill, but I can assure the House (*Mr. V. J. Patel* : "I hope you will not vote") that my interest is a very small one and is locked up in a highly speculative concern entitled Appendix IV. I wish to deal specially with the case of the uncovenanted services and I wish to place some reservations on the remarks which I make. I can only speak of what I know, that is, the condition of these services in my own Province, the Presidency of Bombay. In dealing with these services I visualise the normal case—that of an officer who marries about the age of 30 and has a small family. There is an impression, sometimes, that before the War the members of these uncovenanted services were comparatively well off. On this point I should like to say that when I came to India in 1902 I found that a married member of these services in the Bombay Presidency had to live with very great regard to carefulness and economy. Not very long afterwards the need for revising the conditions of these services was recognised. In 1912 there was appointed the Public Services Commission. Before the Public Services Commission could report the War broke out and the War had for quite a long time a definite economic effect on the uncovenanted services. The cost of living in India, unlike the cost of living in England, rose very slowly until the very end of the War. In England, school fees, which are the main item in an officer's remittances, also rose very slowly. Then again there was a tendency for the standard of life to fall from the careful and economic to the frugal, and, as everyone knows, sacrifices were willingly made in every direction. It was quite impossible in ordinary circumstances for an officer to take leave and there was no immediate necessity for him to save passage money.

Mr. Chairman : Order, order. I would request the Honourable Member not to go into details at this stage. He will realise that the issue before the House is rather a restricted one.

Mr. R. D. Bell : My point is this, Sir. The urgency of the case rests upon its merits. If the claims of these services are not well merited, then they are not urgent. I hope you will recognise my point Sir, and allow me to proceed. Well, Sir, I shall be as brief as possible in coming to the main point. There was a revision of pay in 1919, but the revision was made on the basis of a two-shilling rupee. With the fall in the exchange the condition of the services was entirely altered. Now it may be said that the services have had an increase of pay in 1919, and statistics may be given to show what has been the rise in the cost of living since the Public Services Commission reported. The main point is whether the pay of the uncovenanted services is sufficient,—whatever has been the increase in the costs of living and whatever increases of pay they have received—whether their pay is sufficient to maintain them in moderate comfort and free from financial anxieties. Well, Sir, last year I collected a large number of household budgets in the Presidency of Bombay and I should like to point out to the House that people who keep household budgets are generally very careful and economical people.

Mr. A. Rangaswami Iyenger : Sir, are we now going into the family budgets of people in the different services ?

Mr. Chairman : I hope the Honourable Member will come to the point.

Mr. R. D. Bell : The result of that inquiry (and I can assure the House that in nearly every case not the average figure but the lowest figure was taken) was to show that in the Bombay Presidency in the uncovenanted services, such as the Police and Forest Services, if the pay were raised by 25 per cent. it would barely enable them to meet their expenses between the ages of 30 and 40 and would be quite insufficient to meet expenses after the age of 40.

Seth Govind Dass (Central Provinces : Landholders) : Sir, is the House allowed to go into the merits of the question ?

Mr. R. D. Bell : I am not dealing with the merits of the question.

Dr. H. S. Gour (Central Provinces Hindi Divisions : Non-Muhammadan) : Do I understand the Honourable Member to be speaking against the motion for postponement ?

Mr. R. D. Bell : I am speaking on the Resolution. If these facts are recognised, then the settlement of the case becomes an urgent matter ; and I understand it is the urgency of the matter which is now under consideration. I am speaking with special reference to clause (2) of Sir Sivaswamy Aiyer's Resolution. But I recognise, Sir, that the Report must be considered as a whole and, on behalf of the uncovenanted services, though I speak without any authorisation, I should like to acknowledge the marked consideration which the Honourable the Mover of the Resolution has shown towards these services in framing it. I put it before the House entirely from the point of view of the services now in India and I suggest, Sir, that the existing employees of Government deserve the same treatment as the employees of any other prudent and Honourable employer may be expected to receive. The point is this—the administrative machine is a delicate one and it is to everyone's interest that it should run smoothly. Some parts of it have, within the last year or two, become heated, and what is wanted now is a little lubricating oil. It is no good, when lubricating oil is required, for people to throw handfuls of sand into the oil chamber. That is the point I wish to make—that some consideration must be shown between now and September to these services and that nothing should be done in the meantime to increase the somewhat high feeling that exists in the matter of their pay. As I said just now, what is wanted is oil, and if you put in sand instead, more heat will be engendered and, if I may use the expression, there will be a good deal of squeaking.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber : Indian Commerce) : Sir, I do not think I would like to follow the example of my Honourable friend from Bombay, Mr. Bell, in what he said regarding the various details in connection with the Report. I fully agree with my friend Mr. Patel that the House is practically unanimous that the Report should not be discussed now. The only question before the House is as to how we should adjourn—on the Resolution moved by Sir Sivaswamy Aiyer or on the amendment proposed by Pandit Madan Mohan Malaviya. Mr. Patel said that paragraph 2 of Sir Sivaswamy Aiyer's Resolution was the price that the Honourable the Home Member was taking from the House for this postponement. I really wonder if any Honourable Member of this House is prepared either to allege or to believe that that Resolution of Sir Sivaswamy Aiyer's

was drafted by the Honourable the Leader of the House and was given to him to be put in as his Resolution. (*Mr. Devaki Prasad Sinha and another Honourable Member* : "Nobody suggested that.") If that is a thing which cannot even be conceived of by this House as is evidenced by two interruptions I have had from both sides of the House, the only other inference that remains is that Sir Sivaswamy Aiyer has offered to pay a price for the adjournment of this discussion from to-day to September. With the reputation that Sir Sivaswamy Aiyer has had in this House and before I say, Sir, with all the emphasis at my command that the idea that paragraph 2 of his Resolution is a price for the postponement may be safely put out of serious consideration at this stage. For, after all, what does paragraph 2 of Sir Sivaswamy Aiyer's Resolution contain? It only repeats that in case Government decide, either on the recommendation of this House, or, overriding the recommendation of this House,—as is generally apprehended at this moment,—to give relief to the services on the lines indicated in the Lee Commission Report, Sir Sivaswamy Aiyer only indicates or wants it to be indicated to the Secretary of State that the Government will be in a position to do that as much after September next as now. Beyond that I fail to see where the question of any price in connection with paragraph 2 of Sir Sivaswamy Aiyer's Resolution comes in. If the majority of this House very strongly feel that paragraph 2 had better not be there, and with the elimination of that paragraph the House is likely to be unanimous on the other two parts of Sir Sivaswamy Aiyer's Resolution, I do not know whether my Honourable friend will agree to omit that part which apparently is looked upon with some suspicion by some in this House. But, let me, Sir, put to the House the other side of the question. If paragraph 2 of Sir Sivaswamy Aiyer's Resolution as it is worded, it does not matter whether it is the Home Member's idea or whether it is my Honourable friend's, Sir Sivaswamy's, is a price, what is it that the amendment of my Honourable friend Pandit Malaviya wishes to indicate. That amendment, I feel, can well be styled as something novel in the other direction; for, that amendment, Sir, conveys a commitment of the opinion of this House, a commitment to which I feel that this House would not be justified in giving any endorsement. We have not discussed it and I take it that we are not to-day to be allowed to discuss that aspect of the question raised in paragraph 1 of the Honourable Pandit's amendment. If paragraph 2 of Sir Sivaswamy Aiyer's Resolution is a price, I say that paragraph 1 of the Honourable Pandit's amendment is also an effort to get a commitment from this Assembly to a certain line of action which ought to be left open for discussion in September next. But, after all, supposing that this amendment is not passed, there is nothing in Sir Sivaswamy's Resolution which will prevent this Assembly from passing a Resolution on the lines of paragraph 1 of the Honourable Pandit's amendment if the House so chose to do it in September next, after full and mature consideration. But I feel that on this question of the adjournment of the discussion of this subject at present the Honourable Pandit's amendment is out of place and it certainly is an effort at a sort of pre-indication of what may be coming, an indication which we have not yet had enough time to discuss on the floor of this House.

I will, Sir, mention one more point. What is indicated in paragraph 1 of the Honourable Pandit's amendment causes an interdependence between

the subject matter of the Lee Commission Report and the question of further advance in the reforms for India. There is no doubt a great deal in the Lee Commission Report and in the whole subject touched upon in that Report which is interdependent upon further reforms for India. The Honourable the Home Member said that there were three main features of the Lee Commission Report. He put as No. 3 the last, the question of advance in pay and allowances for the services. I remember very well an Honourable Member from this side of the House interrupting him there and saying to the Honourable the Home Member that that was the most important part of it. If in the eyes of non-official members of this House or at least in the eyes of some leading Members of this House that is the most important part of the Lee Commission Report, namely, the question of further remuneration, increase of pay and allowances for the services, I take it that it should not be difficult for this House, irrespective of the question of reforms, to give a definite expression of their opinion in September next; for, either the services are adequately paid or they are not so paid; and in order to come to a definite conclusion on that point perhaps a little more time, is all that is wanted in order that each one may make his own inquiries, may take his own time to study the whole question and make up his mind as to whether the services need further increase or not. I personally feel that side by side with that question, which I look upon as a very important one from the country's financial point of view, the other two points mentioned by the Honourable the Home Member are also very important and it is those two points that cause so much interdependence upon the question of an advance in the reforms for India. The question of an increase in pay and allowance is not and cannot be connected with further reforms.

The Secretary of State, I am pleased to say, and I am sure the House must have noted it with satisfaction, has agreed not to take any action on any of the questions dealt with in the Lee Commission Report till September next.

The Honourable Sir Alexander Muddiman : Subject to the House passing a Resolution substantially in conformity with the present Resolution.

Mr. V. J. Patel : That is the price.

Sir Purshotamdas Thakurdas : I should like to know whether the Honourable Member attaches great importance to paragraph 2 of the Resolution.

The Honourable Sir Alexander Muddiman : I attach great importance to it.

Seth Govind Das : Does the Honourable Member move that part 2 of the Resolution should be deleted?

Sir Purshotamdas Thakurdas : I do not think the question arises at this stage. The Honourable Member is rather in a hurry. I do not know whether there is any motive in the mind of the Secretary of State in agreeing to this postponement. Leaving aside for the moment the price which my Honourable friend here says the Secretary of State insists upon getting, I really wonder whether the Secretary of State can have any other motive in

agreeing not to take any action on the Lee Commission Report till after next September when the Assembly has discussed it, except this. I would like to believe, and I do believe until I am convinced otherwise, that the Secretary of State is genuinely anxious to get a clear expression of opinion from this Assembly as to what the Assembly thinks on the merits of the case in regard to the Lee Commission Report. Ample time we will have to criticise either the methods or the want of fulness or the extreme shortness of the Lee Commission Report. The House can criticise to its heart's content the fact that the evidence has not been made available to us, a thing which, as far as I can remember, is without any precedent. On that we can say that we have been unable to form our opinion exactly in the same manner as the commissioners of that Royal Commission might have been able to form their opinion; but in spite of all this, taking the facts as they are I would like to believe, and I sincerely believe, that the Secretary of State is anxious to get at the real genuine opinion of this Assembly on the merits of the case as it is put before us in the Report of the Royal Commission. Why should this Assembly not discuss that Report dispassionately without any other consideration but absolutely on the merits of the case as presented to us. Let us criticise it in every way possible. Let us say that we do not want any recruitment if we are convinced that way. I implore the House not to mix up with it any sort of pre-idea that we will not discuss this very important question, a question which has been a burning question for some years now, a question on which the non-official Indians and the Government have had strong opinions. I implore the House that it will not commit itself to this amendment and will not condemn its judgment by saying that it will not discuss this question except as interdependent upon the question of advance of reforms for India.

For after all, Sir, the decision in that matter of advance in reforms is bound to take time. It may take six months or a year. I hope it will take less. In some quarters it is thought that it will take more than a year. If the House is convinced that the services are inadequately paid, may I ask the House if they are honestly and conscientiously prepared to say that the services should be starved for a period of a year or two years? If, on the other hand, the House are convinced that the services are adequately paid, even though reforms may be offered within the next fortnight, why should we vote any further allowances or any further pay? I therefore plead, in order that the opinion of this Assembly on the Lee Commission's Report may have the fullest weight, not only in India but everywhere else, I plead that no conditions shall be put at this stage on the full, impartial and dispassionate consideration of the Lee Commission's Report as it is presented to this House.

The Honourable Sir Basil Blackett (Finance Member): Sir, I rather share the position of Mr. Patel in finding it difficult to understand what it is we are actually discussing. We are certainly not discussing the merits of the Report nor the grievances of the services nor are we discussing immediate constitutional advance. Mr. Patel described three schools of thought. I would suggest that the Assembly as a whole would prove itself more worthy to be called thoughtful if it did not attempt to pre-judge the Lee Commission's Report before it has read it. If Mr. Patel wants to spend the next three months in the manly occupation of hurling this Report into the wastepaper basket, what is the good of the Secretary of State or the Government of India

waiting until three months hence when he will again declare that he is still doing it? What we are discussing is a point on which we are all agreed, that none of us have had time to read the Report or study it sufficiently to discuss it. Mr. Patel who belongs to a school of thought that always looks for a price says that clause (2) of Sir Sivaswamy Aiyer's Resolution is the price which is being paid for the promise of the Secretary of State that he will not take action on this Report until next September. Now clause (2), as I read it, is practically merely a statement of fact. It is a statement of fact that it is the intention of the Secretary of State and the Government of India to give effect to any financial relief that may eventually be decided upon for the services as from the 1st of April 1924. Let me make myself clear. I should like to safeguard myself in this. I do not say that every single decision that may be taken on the Lee Commission's Report will be antedated to the 1st April 1924. But it is common ground that when and if it is decided to give relief of any kind in the form of financial relief to the services, that will, generally speaking, be antedated to the 1st of April 1924.

Mr. Chaman Lal (West Punjab: Non-Muhammadan): I do not wish to interrupt the Honourable Member but may I ask him to make the point very clear whether it has already been decided that all increases granted shall have retrospective effect from the 1st April 1924?

The Honourable Sir Basil Blackett: So I understand Sir, yes. Not that this Report should have retrospective effect but that any financial relief that may be decided upon shall be antedated to the 1st of April. And I would ask the House to consider whether there is anything unreasonable in that.

Pandit Shamlal Nehru: May I ask why the poor military officer has been ignored?

The Honourable Sir Basil Blackett: This was a Commission on the superior civil services. So far as I know the military is not a superior civil service.

The amendment moved by the Honourable Pandit Madan Mohan Malaviya amounts to a statement that in the opinion of this House no kind of relief shall be given to the services nor any of the other questions raised in the Lee Commission's Report considered until such date—I have not got the exact words, but until Swaraj comes in by Fabian methods or otherwise. Well, that is a Fabian way of treating the Lee Commission's Report, and the Honourable the Home Member put in a plea earlier in the day not to turn this into an antiquated document before it is used. I would seriously ask the House to consider whether the result of passing the Honourable Pandit Madan Mohan Malaviya's amendment would be useful. It would be a direct statement to the Secretary of State, to the Government of India and to every one concerned that this House is not prepared to consider the Lee Report on its merits. It would be a statement to that effect before the Report has even been read. It would be a direct negative, and is it not obvious that the Secretary of State in saying that he is willing to leave over any decision on anything in this report until it has been discussed in September must ask that he shall not be met by a reply that in no circumstances will we consider the Report on its merits? If the House says that, obviously there is nothing for the Government of

India and the Secretary of State to do but to treat this manly action in the same way as they had to treat the manly action to which Mr. Patel was referring in the last session. But I am sure the House will not take that line and I ask them not to do so in their own interest and in the interests of India. We want this Report discussed on its merits. We want to know the opinion of all sections of the House and of the House as a whole, and we want to be sure that any action we take in accordance with the recommendations of the Report or in contravention of those recommendations is taken after careful and full consideration of the whole matter. If we leave it till September and then discuss the whole thing on merits, we shall be in a position to consider whether the relief in this direction is inadequate, whether Indianization in this particular service is adequate, whether the provincialization of another is desirable or not. The Report could then be discussed and India as a whole will surely benefit by having the opportunity for that dispassionate and—if I may use a word used the other day—colourless discussion which is desirable for this purpose. I would therefore appeal to the House not to stultify the whole matter by passing the Honourable Pandit's Resolution.

As regards the Resolution of Sir Sivaswamy Aiyer, it represents nothing more than a statement that it is desirable to postpone consideration of this matter until September, and that as a matter of fact the decision of the Secretary of State to give relief as from the 1st of April, in so far as relief is given will cause that postponement to do no particular harm. If the House prefers on the suggestion of Mr. Patel to adjourn the debate without further discussion, not passing any Resolution, I am authorised by the Home Member to say that he would see no objection to that course, which comes to much the same thing.

Mr. B. Venkatapatiraju (Gunjam *cum* Vizagapatam : Non-Muhammadan Rural) : Sir, in accordance with the wishes of the Home Member I propose to move that further discussion be postponed till September of this year.

Mr. Chairman : The question is :

“That further discussion of this Resolution be now adjourned.”

Diwan Bahadur M. Ramachandra Rao : (Godavari *cum* Kistna : Non-Muhammadan Rural) : I wish to ask the Honourable the Home Member whether in the interval he would induce the Secretary of State to publish such portions of the evidence as he may consider necessary or advisable and have such evidence made available for the consideration of this House. I may say, Sir, that some of us who are in the profession of law are accustomed when criticising a judgment to have before us the evidence in support of the judgment. In connection with this Report we have been considerably handicapped for want of the material on which the series of opinions contained in this Report are based. I venture to suggest, Sir, that representations made by the various Service Associations, may be printed and made available to this House. I am aware, that the Commissioners have stated in the Report that 411 witnesses were examined of whom 151 gave their evidence in public and the remainder gave their evidence *in camera*, and for that reason the Commissioners declined to publish the evidence. But I venture to think that, whatever may be the opinion of the Commissioners, it is the unanimous wish

of this House that the materials on which decisions have been come to by the Commission should be made available to this House. During the Delhi session I think it was my friend Sir Purshotamdas Thakurdas who asked a question that the material which was placed by the Government of India before this Commission in regard to the cost of living should be made available to this House, and Sir Malcolm Hailey then stated that that would be published along with this Report; and now we have the decision of the Committee that the evidence should not be published. It seems to me, Sir, that the materials placed by the Government of India before the Lee Commission should also be made available to this House. Unless some such course is taken, the series of opinions contained in the Report cannot be sifted and we shall absolutely be in the dark when we come to discuss the report.

The Honourable Sir Alexander Muddiman : I am in a little difficulty, Sir, in regard to this matter. The Royal Commission, I take it, reported to His Majesty and I think when it has reported, it is *functus officio*. Is there any authority left to do anything in connection with the Commission when the Commission is *functus officio*?

Diwan Bahadur M. Ramachandra Rao : All the materials are in the hands of the Secretary of State.

The Honourable Sir Alexander Muddiman : I will enquire into it. I will consider the matter. A great deal of evidence was given in secrecy. It was evidence given by bankers, given by business men, about the salaries they pay to their employees. I do not think the Honourable Member suggests that the Secretary of State should publish the confidential statement. Then, the rest will be an imperfect record. You have not got the police diaries or the first information report. I will consider the point, and you will be proceeding on evidence of a later date as it were. But I hope the Honourable Member will realise that this is a matter on which I cannot give an answer off-hand.

Diwan Bahadur M. Ramachandra Rao : Here are a series of opinions as regards the cost of living, as regards the rate of Indianization, and so on. We have absolutely no material on which we can examine all these statements. I know that when the Commission was sitting, some of the statements made by the witnesses before this Commission appeared in the newspapers. Various Service Associations have also made statements and some of these also appeared in the press. The Provincial Service Associations have made their representations; the Indian Civil Service Associations have made their representations and I take it also that the Local Governments have submitted their views. Under these circumstances.....

The Honourable Sir Alexander Muddiman : I will do my best to meet the Honourable Member, but it is not a thing in which I can be rushed without due consideration.

Diwan Bahadur M. Ramachandra Rao : I do not want to rush the Honourable Member. I only ask him to consider the difficulty in which we are placed.

The Honourable Sir Alexander Muddiman : I quite see that.

Dr. H. S. Gour : May I suggest to the Honourable the Home Member to consult the witnesses and associations who gave their evidence *in camera* before the Lee Commission, whether they have any objection to their memoranda being submitted to this House, and, if they have no objection, to make them available to the Members of this House, and that the evidence which was given in public may be printed and circulated, at any rate copies made available in the Library for the inspection of the Members of this House.

The Honourable Sir Alexander Muddiman : I am not prepared to ask the bankers and other people to disclose their secrets ; that would be breach of professional conduct. As for the latter part of the Honourable Member's request, I will consider it.

Mr. Chairman : The question is :

"That further discussion of this Resolution be adjourned."

The motion was adopted.

6th June 1924.

RESOLUTION *RE* THE REMOVAL OF THE IMPORT DUTY ON SULPHUR.

The Honourable Sir Charles Innes (Commerce Member) : Sir, I beg to move :

"That this Assembly recommends to the Governor General in Council to accept the recommendation of the Tariff Board that the import duty on sulphur be removed."

The House may remember, Sir, that one of the recommendations made by the Fiscal Commission was that, so far as possible, the Government of India should exempt from import duty the raw materials required by the industries of India. Sir, we were unable at once to adopt this recommendation. Hitherto our tariff has always been a revenue tariff, and we have consistently declined to take into consideration the uses to which articles imported into India may be put. But the adoption by the Legislature of a Resolution last year in favour of a policy of discriminating protection has altered the whole position, and, as we have had numerous representations from manufacturers of chemicals throughout India with regard to the import duty on sulphur, we decided to refer the question whether or not the duty should be removed to the Tariff Board. I think I am correct in saying that all Members of the House have received a copy of the Tariff Board's Report. The Tariff Board think that the reasons for taking the duty off are strong. Sir Thomas Holland once said that the best way of measuring a country's industrial progress was to see how much sulphuric acid was used in the country. We are handicapped in this matter by the fact that there are no deposits of sulphur in India ; consequently we have to import all the sulphur that is required. I do not say that the removal of the duty will enable large-scale chemical industries to be started in this country because we shall always be handicapped by the fact that we shall have to import our raw sulphur. But I do say that if we remove the duty, we shall assist many deserving industries in

cheapening the prices of their raw materials. I refer particularly to chemical industries, the industry for the making of disinfectants, the making of insecticides, and industries connected with by-products of coke in the manufacture of iron and steel. I think, therefore, that it is quite clear that the removal of this duty will be a useful measure. On the other hand, it is not going to cost us very much. We calculate that the most it is going to cost us will be 2 lakhs of rupees a year. The Government of India have accepted the proposition that the benefits which industries in India will derive from the removal of this duty is well worth the price we shall have to pay. I hope, therefore, the House will accept this Resolution.

Mr. President : The question is :

"That this Assembly recommends to the Governor General in Council to accept the recommendation of the Tariff Board that the import duty on sulphur be removed."

Mr. Rama Aiyangar has given notice of an amendment.

The Honourable Sir Charles Innes : I rise to a point of order. I have not received notice of this amendment. I have just seen it on my table.

Mr. President : Has this amendment been circulated ?

Sir Henry Mancieff Smith (Secretary, Legislative Department) : I understand that this amendment was received yesterday in the Chamber, and I am also informed that a copy was sent to the Honourable Member.

The Honourable Sir Charles Innes : Then I think the Honourable Member may very well make his speech.

Mr. K. Rama Aiyangar (Madura and Ramnad *cum* Tinnevely : Non-Muhammadan Rural) : Sir, I propose to move :

"That at the end of the Resolution the words 'except on flower of sulphur and roll sulphur' be added."

I find from the report that there is no reference to it except in the last sentence which I place before the House :

"Flowers of sulphur are used chiefly for medicinal preparations and for insecticides, and it is on account of the latter use that the Indian Tea Association ask that this form should also be free from duty. They say that they pay a sum in excess of Rs. 25,000 a year as duty."

I have gone carefully into the full evidence before the Tariff Board and have also seen the report. The whole thing deals with the question of a variety of sulphur which is used mostly for the preparation of sulphuric acid and for medicinal purposes, but this particular variety of sulphur is used by tea planters mostly, and we know as a fact that, when we consent to give protection, it must be on definite principles which have been recommended by the Fiscal Commission. None of those apply to this case. I do not think tea planters want this protection. On the other hand, they are making huge surplus profits and the other day there was an Association proclaiming that they are at the height of prosperity and there is really more than Rs. 25,000 which could be realised in duty on this. It is not a question of the tea planters' industry not being able to keep its place in the world markets. On the other hand, Indian tea seems to command considerable sales and prices in the world's markets, and under these circumstances I do not see why this Rs. 25,000 should be lost to the public. The only question that might be

raised is that, while we are exempting other varieties of sulphur, why not do so here. It cannot be said that because it is only a small amount, there need not be any distinction between variety and variety. But Rs. 25,000 is not a small amount. I do not think that this should be the attitude of this House. I really do not understand that attitude. I do not think the tax-payer in India can afford to lose the sum.

Pandit Shamlal Nehru (Meerut Division : Non-Muhammadian Rural) : Sir, I quite agree with my Honourable friend, Mr. Rama Aiyangar, and think it is fair to tax "flower of sulphur" and the other variety of sulphur mentioned by him. This variety of sulphur is used by tea planters who, in my opinion, do not deserve any consideration, even if they are in danger which they are not. As it is, they are making tremendous profits. If any one deserves consideration at all it is the large army employed by these tea planters. I would have no objection if this amendment were rejected, provided the extra profits made by tea planters are compulsorily given to their employees. That, of course, will not be possible, and, therefore in my opinion, this amendment should be accepted and no extra profits should be given to tea planters.

The Honourable Sir Charles Innes : Sir, I do not think an amendment of this kind should be sprung on the Member in charge. The only reason advanced in favour of the amendment is that this variety of sulphur is used by the tea industry. That is an incorrect way of putting the case. Flowers of sulphur are mainly required for the preparation of insecticides. It may be that tea industry is the principal user of insecticides, but at the same time such insecticides are used throughout India. Then again it is said that the tea industry is well able to bear the burden of this duty upon flower of sulphur. The tea industry, like many others in India, has its ups and downs. Two years ago, at the end of 1920 we were confronted with the following situation. The tea industry was losing on every pound of tea sold and exports from this country are something like three hundred million pounds a year. In addition, the tea industry pays an export duty of 3 pies a pound on all its exports.

Three years ago the tea industry was in the position of losing on every pound it sold and also added to its losses by paying us a duty of three pies in the pound. It pays us every year in the shape of an export duty something like 50 lakhs of rupees a year, and it seems to me, Sir, that this House would be taking up an ungenerous and undignified position if it refused the recommendation of the Tariff Board in favour of remitting the tax on flowers of sulphur merely because those flowers of sulphur go to the making of insecticides and because one of the most important industries of India uses those insecticides. Sir, I appeal to the House not to accept the motion which I regard as a very ungenerous one and one which cannot be defended on any principles of protection.

Pandit Shamlal Nehru : May I ask the Honourable Sir Charles Innes if it is not a fact that the present Government in England have increased the duty on tea by three pence a pound ?

The Honourable Sir Charles Innes : And has thereby reduced the preference which Indian tea gets in the United Kingdom.

Mr. President :

The question is :

"That the words proposed by Mr. Rama Aiyangar be added to the Resolution."

Mr. President : I will now put the original Resolution to the vote. The question is :

"This Assembly recommends to the Governor General in Council to accept the recommendation of the Tariff Board that the import duty on sulphur be removed."

The motion was adopted.

27th May 1924.

THE STEEL INDUSTRY (PROTECTION) BILL.

The Honourable Sir Charles Innes (Commerce Member) : Sir, I beg to introduce the Bill to provide for the fostering and development of the steel industry in British India.

Before I proceed to the next motion which stands in my name on the paper, I would ask your permission to make some preliminary observations. In the first place, I wish to say just a word or two about the Tariff Board. Honourable Members are no doubt aware that quite recently publicity has been given to certain criticisms of the Tariff Board. It has been suggested that their procedure was needlessly elaborate and therefore unduly dilatory, that they travelled too much, that they might well have sit down in one place and left the people to come before them and make their representations. We have already published our views on criticisms of that kind, and I do not want to traverse again the whole ground. But I do wish to emphasise certain points. The Tariff Board is charged with the most responsible functions. It is the duty of the Board to advise the Government of India not merely whether a particular industry requires protection but whether on the whole the balance of advantages lies in giving it protection. It is their business to weigh all the interests not merely of the particular industry claiming protection but also of all other industries which may be affected. And above all it is their duty to consider the effect of any proposals which they may make upon the general consumer and the general tax-payer. Publicity is their main safeguard and it is also our main safeguard, and I say that it is the duty of the Tariff Board so to order their procedure as to facilitate in every possible way representations to it. It is for them to decide how best to discharge these responsible functions. I say again that the Government of India are not prepared to fetter their discretion by any instructions on this matter. In particular, we are not prepared to issue to them instructions which might be interpreted as requiring them to sacrifice care and thoroughness to expedition. As regards the particular Report which is the subject of our consideration to-day, it is a report of probably the most difficult and most complicated investigation the Tariff Board will ever have to make. Personally, I do not think that eight months were at all too long for an investigation which deals with so many industries, some of which industries affect practically the whole of the population of India and for the preparation of a report which covers so wide a range. Indeed, I may say that I am personally aware that the members of the Tariff Board could not have submitted their report within

that period of time if they had not worked extremely hard. I will say more. Opinions may legitimately differ as to the soundness or otherwise of the Tariff Board's conclusions. But I make bold to say that no one who has read that report can fail to acknowledge the great ability, the care, the impartiality which the Tariff Board brought to bear upon a very intricate task. I want to make another preliminary observation of a rather more delicate kind. One of the difficulties which confronted the Tariff Board and which confronts us is the fact that the steel industry in India is represented at present by a single firm, the Tata Iron and Steel Company. It was that Company which applied for protection and quite rightly it placed its books unreservedly at the disposal of the Tariff Board. The result is that the Tariff Board's Report is very largely taken up with the affairs of that one Company. All the mistakes, misfortunes and the difficulties of this Company have been brought into the pitiless glare of publicity. It was right, of course, that it should be so. As I have just said, publicity is our main safeguard. The Company applied for protection, and it was for the Company to prove its case. But the Bill that I am submitting for the consideration of the House is bound to arouse controversy. And what I fear is that that controversy may tend to centre round the affairs of this one Company. Partisan feelings may be aroused and the issue may be complicated or even obscured. I think, therefore, that at the very outset I ought to try to express very briefly the views of the Government on this question in its broadest aspect. On the one hand, Jamshedpur must capture the imagination of every one. I can vouch for it that it catches the imagination of anyone who goes there and sees the place. Where 17 years ago there was desolate, silent, jungle, there are to-day the noise and life of a busy manufacturing town. That town has grown up round the works of the greatest single manufacturing concern in India. Those works owe their existence to the genius and the foresight and imagination of a great Indian. They are big with promise for the industrial development of India, and they are just reaching a stage which is always difficult and always critical for a manufacturing concern—I mean the stage when the labour is still being trained and when the maximum output has not yet been attained. Moreover, unfortunately for the Company, that stage has been reached just at a time when world conditions are most difficult and when competition is fierce in the steel markets of the world. Every one will sympathise with difficulties of that kind, and it is only natural that there should be a general desire in India that the Company should win through its difficulties to an assured prosperity. On the other hand, we must get the matter into its proper perspective. Protection imposes a burden on the country. It may be to the ultimate advantage of the country that that burden should be borne. And if we go in for protection at all, naturally the protection must be adequate to the end in view. But equally it must not be higher than is necessary for that end. Now, the end in view here is the establishment of a steel industry in India and, moreover, of a healthy steel industry. We want, of course, to preserve the existing Company, but the Company itself must co-operate. That was the reason why the Tariff Board were not able in all matters entirely to accept the figures of the Tata Iron and Steel Company. For instance, for their purposes they had to make calculations of fixed capital expenditure, and in making these calculations they did not accept the fixed capital expenditure of the Tata Iron and Steel Company. They found that it had been inflated by various causes and,

among other things, they cut it down by 4 crores of rupee for the purpose of their own estimates and calculations. Their object was to ensure that the tax-payer in India should not be required to pay for the misfortunes or the mistakes of a single Company, and the result is that, though their proposals are drastic as I shall presently show, they do not, if I may use the expression, place the Company on velvet. On the contrary, they impose upon the Company the obligation of exercising rigid economy in order that as soon as may be they may reduce their works cost as low as possible. Now, the Government entirely agree in the view which the Tariff Board have taken in this matter. If the Legislature is prepared to assist the steel industry at an expense to the tax-payer which is estimated at a crore and a half of rupees per annum, then it is up to the industry to play its part and to co-operate in order to make it worth while for the tax-payer to undertake that burden. It is up to the industry to do all it can to make the policy successful. That is to say, it is up to it to exercise economy in every possible way, to work for efficiency and to do all it can to place itself upon a proper basis.

I come now, Sir, to my task this morning. The difficulty, of course, is to know how to tackle it. But knowing this House as I do and judging also, I may add, by the number of amendments I have received, I think I may assume that every Member of the House has studied the Tariff Board Report and is familiar with the provisions of the Bill that I am placing before the House. On this assumption I propose to confine myself mainly to what I consider to be the crucial points of the case. I do not propose to argue, for instance, the question whether the steel industry in India has a comparative or natural advantage. I think we need have no difficulty in accepting the findings of the Tariff Board in that matter. The natural advantages lie, for example, in inexhaustible deposits of rich iron ore situated close to the coal fields. Nor do I propose to address myself to the question whether the steel industry can be expected eventually to face world competition without assistance. Here again I have no difficulty myself in accepting the opinion of the Tariff Board; but I should like to say a word of warning to the House. Experience in other protectionist countries shows that it is easier to put on these protective duties than to take them off. One of the disadvantages of protective duties is that they tend to create vested interests, and those vested interests very naturally oppose tooth and nail any reduction of the protective duties, even though the apparent need for them may have disappeared. I do not propose to spend time on questions like these. I will come first to what I regard as the first crucial point of the case, namely, the question whether the steel industry of India needs protection. As regards the past, I think that question is a comparatively simple one. We can all accept the finding of the Tariff Board that with prices at their present level and with works costs as high as they are now, steel cannot be made at Jamshedpur except at a loss. The future trend of costs and prices is a much more difficult matter to assess. I have already mentioned some of the factors that govern the problem. I have mentioned the labour point, and the point about maximum output. Much again will depend upon the success of the new duplex process at Jamshedpur, and the Tata Iron and Steel Co. has still to solve the problem of combining quality with quantity. All this may be summed up in the remark that the Tata Iron and Steel Co. is passing through a difficult transitional stage. The future course of prices is even more difficult-

I think we can only take a broad view on this part of the question. The broad outstanding fact is this : if we leave the United States of America out of consideration, we know that the productive capacity of steel plants in Great Britain and on the Continent has been greatly increased by the war. We know also that markets have been diminished as the result of the war. We know also that at the present time much steel plant is lying idle, and we may assume that, if there is any marked rise in prices, that idle plant will come into operation. On all these grounds then we may assume that for the next year or two the world prices of steel are likely to remain at a low level. This, then, is the position. On the one hand you have these powerful, mature, efficient steel firms in England, Scotland and on the Continent fighting for very existence in a contracted market, and cutting their prices in the struggle. On the other hand you have the Tata Iron and Steel Co. passing through, as I have said, the most difficult stage of its existence. It has not yet attained its full stature or its full strength. If we look at the matter in this way, it must be evident to all of us that the steel industry in India, if it is to survive, must have temporary assistance during the present transitional period, and that if it does not, it will be squeezed out. Nor can it be said that the need for protection arises out of inefficient technical management. Mistakes have been made, and the Tariff Board have pointed out directions in which economy can be secured, notably in fuel consumption. But they expressly dissociate themselves from the view that costs have been raised to an unjustifiable level by failure on the part of the technical management at Jamshedpur, and their definite conclusion is that during this transitional period it is not likely that the Steel Company, unless something is done, will be able to manufacture steel except at a loss. That is the Board's conclusion and the Government of India are prepared to accept it. But it is not enough to arrive at the conclusion that the steel industry requires protection, and that it fulfils other conditions laid down by the Fiscal Commission. The two most difficult questions still remain. The first is what is the amount of protection required ; and the second is whether on the whole the balance of advantage lies in according to the industry that protection. Now the question of the amount of protection raises a number of other subsidiary questions, all important, all difficult, all controversial. There is the question of the extent of the protection ; the question of the form of protection ; and the question of the period of protection. Now I take the question of the extent first for, if we are to make a start along the primrose path of protection, it is well that we should realise at the outset how far this first journey is likely to take us. The Tariff Board eliminate from the scope of their proposals such kinds of steel which are not made in India now and which are not likely to be made in the near future, but even so they spread their net very wide. They deal first with raw steel, that is, the classes of steel made at Jamshedpur. The principal classes are such common kinds of steel as rails, structural shapes, angles, tees, channels, common bar, common rod, etc. On all these kinds of steel which are the common kinds the Tariff Board propose to impose heavy duties. But they could not stop here. Steel is the raw material of many other industries, and the Tariff Board had to consider the effect of their proposals on those other industries, in particular upon important engineering industries. They recommend on fabricated steel that the duty should be raised from 10 to 25 per cent. It should be noted that in this proposal they do not merely compensate engineering industries for the imposition of

duties on raw steel; they go further and give the engineering industries a measure of substantive protection. It stands to reason, of course, if you are going to protect your steel industry, you must go further and secure to it its markets. They do not stop even here. Subsidiary industries, such as wagons, tinplate, agricultural implements, and the like, also had to be considered. Sooner or later and sooner rather than later, the question of machinery will have to be taken up, and it will be evident that, when the stone of protection is thrown into the pond, more ripples will be set up than it is possible now to foresee. But it was inevitable that, when the Tariff Board were dealing with the steel industry, the scope of their proposals should be wide. I pass on to the next question, namely, the amount of protection required. Here we come at once to difficulty. The Tariff Board had to make definite recommendations as to the amount of protection. The general principle, of course, was clear; it was that the protection afforded should be the minimum required to tide the industry over this transitional period. But, as I say, the Tariff Board had to make concrete proposals as to the amount of protection necessary. For this purpose they required a criterion, and they took as their criterion the gap between the fair selling price in India and the average import price. This was their criterion. Now I do not criticise the method adopted by the Tariff Board. It is quite obvious that they had to have some criterion, and it seems to me that the criterion they settled on was eminently a reasonable one. But their method is open to obvious difficulties. In the first place it involved the Tariff Board in intricate calculations as to costs of production and in forecasts necessarily speculative about the trend of future prices. It leads also to other difficulties, to which I shall have occasion to refer later. I shall just make a passing reference to one. The Tariff Board selected as their fair selling price Rs. 150 a ton, and it has been suggested it was their intention to guarantee to the industry an average of Rs. 180 per ton for steel during the period, but this is putting it too high. For instance, if you add the bounty proposed by the Tariff Board to the contract prices for Tata's rails, you find the sum total does not make Rs. 180 per ton, nor did the Tariff Board intend that it should. But I do not wish to enlarge on difficulties of this kind. They were inherent in the task before the Tariff Board. Nor do I wish to quarrel with the Tariff Board's results. What I do wish to impress upon the House is the fact that the Tariff Board's proposals are drastic. I will not go into all the details because they are set out in the Bill itself, but let me give one of two examples. Take common steel bar for instance, a thing which is in common use in India. 155,000 tons is the estimated annual consumption of common bar steel in India, and of this amount the Tata Steel Company expect to supply 30,000 tons this year. On this a duty of Rs. 40 per ton is proposed. That, if you convert it to *ad valorem* on the basis of the present tariff valuations, represents an *ad valorem* duty of nearly 30 per cent., that is, treble the existing duty. On structural steel again the duty proposed is Rs. 30 per ton. That represents an *ad valorem* duty of 20 per cent., or double the existing duty. On fabricated steel again the duty goes from 10 to 25 per ton, an increase of 150 per cent. If you convert all these specific duties to *ad valorem* on the basis of the present tariff valuations, you will find that, with one unimportant exception, they represent *ad valorem* duties of from 15 to 28 per cent. and I well remember with what misgivings and with what doubts and hesitation we went up to 10 per cent. in 1922. In no case is the

increase of duty less than 50 per cent. In some cases it is 100 per cent. In other cases it is 150 per cent. In one case it is nearly 200 per cent. Now I am well aware that countries which have gone in for protection have had to impose high protective duties. I do not wish to weary the House by giving detailed comparisons, but I will give two instances drawn from Australia. I have just mentioned that the duty proposed in India on common steel bars is Rs. 40 a ton. The corresponding duty in Australia rises from Rs. 33 to Rs. 60 a ton, according as the bar steel comes under the British Preferential tariff or the Intermediate tariff or the General tariff. The rate is the same in Australia for structural steel. In India the rate proposed is Rs. 30 a ton. Now it will be said that, judged by the Australian standard, the duties proposed are nothing out of the way. That is quite true. But I would ask the House to remember the difference between Australia and India. In Australia there are four million inhabitants. In India there are 315 million inhabitants. In Australia the standard of living, the standard of wealth, the standard of taxation is high. I believe the national debt works out at no less than £160 per head of population in Australia. I will not venture any estimates as to incomes in India, but I will say this, that having regard to the relative poverty of India, we must admit that the duties proposed by the Tariff Board are in themselves very heavy duties. I doubt indeed whether the Tariff Board could properly have gone higher.

I come now to the question of the form of the proposals. There are two points which require notice here. The first is that, on raw steel at any rate the Tariff Board have elected for specific in preference to *ad valorem* duties. I notice that this has aroused the ire of Mr. Belni, but I think the Tariff Board have given good reasons for this preference. Protective duties on an *ad valorem* basis have one serious disadvantage. When prices are high and the need for protection is least the duties are high. Conversely, when prices are low and the need for protection is most, the duties are low. But the other point is more important in view of the expression of opinion by the Fiscal Commission, that in respect of basic industries, the most suitable form of protection may often be found to be bounties instead of high duties. That expression of opinion moreover has received support from the Associated Chambers of Commerce, and also, as I learn from representations which I received only last night, from the Bengal Chamber of Commerce. The Tariff Board examined this question of bounties and came to the conclusion, which conclusion I may say was at that time shared by the Bengal Chamber of Commerce, that for practical reasons the idea of bounties must be ruled out. Well, I think there can be no doubt about that. Let me put it in this way. Let us assume for purpose of argument that the gap that we have got to cover by protection or by bounties is Rs. 35 a ton. Now the Tata production is estimated at 250,000 tons of steel this year, 325,000 tons of steel next year, and 400,000 tons of steel hereafter. If we gave a bounty of Rs. 35 a ton on steel, it would mean that the bounties would amount to Rs. 87 lakhs the first year, Rs. 117 lakhs the second year, and Rs. 140 lakhs the third year. It is claimed for this plan, in the first place, that we should know exactly what we were doing. In the second place, that we should be limiting the burdens on the consumer to the very minimum, and in the third place, that at the end of three years, when the bounties had done their work, they could

be taken off. I think that some of these arguments might possibly be challenged. For instance, the argument that we should be limiting the burdens to exactly these figures might be valid if Sir Basil Blackett could put his hand into his capacious pocket and pull out Rs. 87 lakhs this year, Rs. 117 lakhs next year, and Rs. 140 lakhs the following year without any additional taxation. But that would be impossible. The ideal tax is the tax which brings to the coffers of the Treasury precisely the same amount of burden as it places on the consumer. We do not always get this ideal tax, and I rather doubt whether the amount of taxation that would be necessary to find the amount of these bounties would place precisely that amount of burden on the consumer. However I pass that point. The plan may have attractions, but I do not know where my Honourable Colleague on my right would find the money. It would mean taxation all round and another Finance Bill. Moreover, the statement that at the end of three years the bounties could be taken off seems to me to betray a fundamental misconception of the whole object of this scheme of protection. As I have said, we wish of course to preserve the existing industry, but our real object is the establishment of a steel industry. If we are going to have protection, we want internal competition behind our tariff wall. We want other firms to come in. Now it takes five years for a firm embarking on the manufacture of steel to produce steel, and it is perfectly obvious that, if we contented ourselves with a system of bounties limited to three years, that system would offer no attractions to new capital to come into the industry. I must confess that I myself was very much attracted to the idea that we might be able to combine the system of slightly higher duties, *plus* bounties. The Tariff Board also considered this proposal and also dismissed it as impracticable, but I have had the matter calculated out in my own office. I will not weary the House with the details of my calculations, but I will just give the House a summary of them. I assume roughly that we should raise the duties only to 15 per cent., and that we should make up the balance of protection required by means of bounties, the additional customs duty derived from our enhancement to 15 per cent. being allocated to the bounties. Well, the result of our calculations in my office have only been to confirm the opinion arrived at by the Tariff Board. We found that the burden on the consumer would be very considerable indeed. We found in addition that, instead of gaining customs revenue, we should lose it, and that we should require for these bounties to find additional taxation amounting to about Rs. 40 lakhs in the first year and rising to about Rs. 60 lakhs in the third year. So we had to give up that plan also, and we have been driven to the conclusion that, if we are going to protect the steel industry at all, we must do it mainly by high protective duties.

What I have said about the desirability or rather the necessity of attracting new capital into the industry bears upon my next point, namely, the period of the protection. Here the Tariff Board was in a dilemma as indeed we are. On the one hand, as I have said, they had to propose actual concrete duties and those duties were intended to bridge the gap between the selling price and the import price. But as the works practice improves at Jamshedpur, the fair selling price in India should be capable of reduction. On the other hand, in the present instability of world conditions it is dangerous to prophesy about the future course of import price. Consequently, the Tariff

Board have recommended that the actual amount of protection they propose, that is to say, the actual duties should be guaranteed only for a period of three years and that at the end of that period the whole question should be re-investigated. The Government of India think that there is very good reason for taking that view. It is obviously undesirable and indeed wrong either to perpetuate or to prolong the protective duties at a pitch which experience may show very shortly to be unnecessarily high and we are quite satisfied that in three years' time the whole question, that is, of the amount of protection, will have to be investigated again by the Tariff Board. On the other hand, I have just pointed out that it takes five years for a man embarking for the first time on the manufacture of steel to produce steel, and, therefore, if the duties are guaranteed only for three years, they do not offer much attraction for new firms to come in. It is very necessary in the interests of the consumer that these new firms should come in and this was the dilemma in which the Tariff Board were in. We have got out of it. I hope we have—by explaining quite clearly in the Preamble of the Bill that the policy of the Government of India is to protect this steel industry. It may be that for special reasons, the particular duties which we propose in the application of that policy can be guaranteed only for three years, but nevertheless the policy remains. That is our idea and that is why we have drafted the Preamble of the Bill in that way.

Before I leave this part of the subject, I must refer also to what is one of the most controversial features of the Tariff Board's scheme. I refer to clause 2 (1) of the Bill which confers upon the Executive Government certain and rather wide and special powers. For the sake of convenience I shall refer to this power as the power to impose offsetting duties. It has its origin in that general instability of world conditions to which I have had occasion so often to refer. Prices have fluctuated very greatly since the war and they may fluctuate again. Again, as I have said, the Tariff Board have elected mainly for specific duties and the rupee may appreciate or continental exchanges may depreciate. Whatever the reason, there may be at any time a sudden drop in import price and that drop, if prolonged for any lengthy period, will upset one of the bases on which the Tariff Board worked and may render the scheme of protection proposed ineffective. It is perfectly true that this clause confers very wide and extraordinary powers upon the Executive Government, but that was the intention of the Tariff Board themselves. They expressly say that, if these powers are to be conferred on the Executive Government at all they should be complete and not hedged about with restrictions. There are precedents for this proposal. The latest Tariff Act of the United States of America confers almost the same powers upon the President of the United States, and in Australia almost the same powers are vested in the Tariff Board. I think we cannot help recognising the force of the arguments used by the Tariff Board, and we must realise that this power which they propose is an integral part of their whole scheme. That scheme has been elaborated after several months of inquiry and preparation. We have decided to place that scheme as a whole before the House and as a part of the whole we have also decided to place before the House for its consideration this power to impose offsetting duties. At the same time, I am free to say that there is no part of the Tariff Board's Report or their proposals which has caused us more

anxiety or more perplexity. We have tried—I regret to say—in vain to find a satisfactory alternative to this proposal. We failed. We see very clearly all the objections which may legitimately be taken to the proposal. The administrative objections, the administrative difficulties, in working it, will in themselves be serious. But there are other objections of a very fundamental nature. In the first place, the mere existence of such a power in the Central Government will be a bad thing for trade and keep it in a state of uncertainty and in a state of alarm. One thing that trade wants is security and as much freedom as possible from interference by Government. The other objection we see is that we fear that we shall be subjected to a constant process of squeeze. Every time import prices fall application will be made to us for the use of this power to put on offsetting duties, and I think it is important to mention in this connection that the Tariff Board themselves contemplated that this power should only be exercised when the depression of prices seemed likely to persist for any considerable period of time. If the House is prepared to agree to vest this power in the Executive Government they may take it from me that we shall exercise it with discretion: we shall exercise it only when we are satisfied that the need is real and urgent, and ordinarily we shall exercise it only after reference to the Tariff Board.

I do not think that I need delay the House very long over the question of what I may call the subsidiary proposals of the Tariff Board—proposals about bounties and proposals for the protection of the subsidiary industries. I should like to make one or two remarks about the proposed bounties on wagons. The House will see that we have drafted the clause dealing with bounties on wagons in somewhat elastic terms. The Railway Board is now engaged in working out the scheme on the lines of the Tariff Board's Report. In passing I should like to point out that the use of the word "bounty" here is not altogether the right word. What the Tariff Board in effect propose is that simultaneous tenders should be called for and that there should be a margin of price in favour of the Indian tenderer. That is to say, supposing in the past year the lowest tender is Rs. 3,500 and the Indian lowest tender is anywhere up to Rs. 4,350, then the contract should go to the Indian tenderer. It will not necessarily mean that as bounty we shall pay the exact amount recommended by the Tariff Board. We shall pay the price offered if it is within the margin. I think that this will work probably to the advantage of the Indian firms. I think I am correct in saying that wagon-making firms would much prefer large orders with a small measure of assistance rather than small orders with a large measure of assistance. They can get this provided they cut their prices low enough when they submit their tenders. For the 7 lakhs provided for bounties will be distributed over a larger amount of wagons. The burden of protection is put by the Tariff Board at $1\frac{1}{2}$ crores of rupees per annum. Rather more than one-third of this it is estimated will fall on the general consumer, rather less than one-third on the principal industries and about one-third upon railways, public bodies and the Government. Of course it is convenient to put it in this way but ultimately I suppose the whole burden will fall in some way on the general consumer. We have been able to submit this estimate to independent check in one very important respect. The House will remember that the Tariff Board estimate that the burden on railways will come to about

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29 lakhs of rupees. Of this rather more than 15 lakhs will come on the capital side and rather more than 13 lakhs on the revenue side. Mr. Parsons has checked this estimate. He worked independently of the Tariff Board and on an entirely different method, and the results, I am glad to say, come out very much the same as those of the Tariff Board. He calculates that the burden on railways on the revenue side will amount to 13 lakhs of rupees per annum and he estimates that on the capital side the effect of the proposals will be to add one crore to the expenditure in the five-year programme. That is to say, his results are very much the same as those of the Tariff Board and I think, therefore, that we may assume with some confidence that the Tariff Board's estimate of $1\frac{1}{2}$ crores per annum is somewhere near the mark. The burden is lightened by eliminating those classes of steel which are not made in India and the burden will be widely diffused. I do not think that the agriculturist will be directly affected to any great extent. I think that he has more to fear from those remote and more obscure consequences which are apt to follow upon the adoption of the policy of protection, but though the burden will be widely diffused it will be a great mistake either to underestimate it or to pretend that it was not there. The cost of every building and every factory in India will go up. The principal industries, jute, cotton, tea and coal, will all be more or less affected. The cost of water supply schemes, drainage schemes, electric lighting schemes, irrigation schemes and in fact the cost of all development and public utility schemes will be increased. That of course is the price that we have got to pay for protection. But it would of course be futile for us to go in for this policy of protection unless we were satisfied that the measure of protection we are according was adequate, and I think that this probably touches the point about which there will probably be most controversy. I can imagine the line which criticism will take. Some people will point to the fact that the Tariff Board admittedly converted import prices to rupees at $1s. 4d.$ and they will say that exchange is now $1s. 4d. \frac{1}{2}$. Others again will fasten on the statement in paragraph 96 of the Tariff Board's Report that the industry must be secured a fair selling price of Rs. 180 and they will accuse the Tariff Board of having failed to give effect to its own principles. Others again will make statements to the effect that the price of common kinds of steel particularly, has sagged very considerably since the Tariff Board's Report was received. I should like to point out one or two facts in regard to these statements. Let me take the question of exchange first. The Tariff Board's Report reached the Government of India on the 11th February 1924. The average rate of exchange in January 1924, was $1s. 5d. \frac{1}{2}$. The average rate of exchange in February was $1s. 4d. \frac{3}{4}$. The average in the first three weeks of May as far as my recollection goes was $1s. 4d. \frac{3}{4}$ and, as I say, it stands to-day at $1s. 4d. \frac{1}{2}$. That will show that exchange dropped quite a lot since January and is slightly lower than what it was in February. Then again I have some figures here about prices, particularly prices of Belgium steel, about which most anxiety is felt. These prices are taken from the Iron and Coal Trades Review and I believe that was one of the reviews of which the Tariff Board made considerable use. Everybody knows that in April the franc suddenly appreciated and as a result of that appreciation prices of Belgium steel went up very considerably. Let me give the figures. In February the average quotation for Belgium common steel bar was £6-7-2, in April £8-9-4, for joists £6-5-3 in February and in April £8-4-0. Plates

were quoted again in February at £6-19-7 and in April at £10-3-9. I do not wish to make too much of these figures. I believe that in May they began to fall again, but they are figures quoted in a technical trade journal of high repute and they do show how difficult it is to arrive at any certain conclusions about the course of prices at the present moment. At any rate it is a fact that Belgium prices in April had gone up in some cases nearly 50 per cent. higher than they were in February when the Tariff Board submitted their Report. As I say, I do not want to make too much of that point because in the beginning of May prices of Belgium steel have begun to drop again. I have already dealt with the claim that we must secure to the tax-payer the price of Rs. 180 a ton. We could not do it unless we rectified at the expense of the tax-payer any mistaken contracts which the Tata Iron and Steel Company made. That is not our intention nor did the Tariff Board recommend that we should do it. On the Government side we take our stand on certain broad facts. Only in February last the Tariff Board submitted certain concrete suggestions for the protection of the steel industry. They themselves laid down the principle that, if protection was given at all, it must be adequate for the purpose in view. Their scheme is a balanced, comprehensive scheme, framed after elaborate inquiry extending over a period of 8 months and when they submitted that scheme to the Government of India in February they must have been satisfied that that scheme would suffice for the purpose in view, that it would suffice to tide the existing industry over the transition period of three years. We have treated the scheme on the Government side as one organic whole and we ask the House to accept it as a whole. I have shown that since February, if conditions have changed at all, they have changed rather in favour of the industry than against it and we are satisfied that the provisions of the Bill I am putting before the House will suffice, so far as protective duties can suffice, for the purpose which the Tariff Board had in view. I do not claim nor do the Tariff Board claim that these proposals will enable the Tata Iron and Steel Company at once to pay large dividends. On the contrary, as I have said, the proposals, though we believe them to be sufficient, will impose upon the Company the duty of co-operating with us by efficiency and economy in every possible way. That is an advantage claimed for the proposals by the Tariff Board themselves, namely, that they apply the spur and give a stimulus to the Company to efficient and economical management. We shall keep the offsetting powers in reserve. We shall keep a careful watch upon import prices and I have no doubt that the industry will do the same. If the need for them does arise, we shall make use of the powers. But as I have said, we shall ordinarily consult the Tariff Board on that particular point before we do. But Government are not willing to go beyond the substantive proposals for protection made by the Tariff Board after long and careful inquiry, and I hope that the House will take the same view. After all we are not merely considering the question of the steel industry here; we have also to take into account the interests of the consumers. They are numbered by millions, and I think that in this House we should incur very heavy responsibility if we went beyond the proposals which the Tariff Board have reported to be sufficient for the purpose.

The final question remains, whether the thing is worth doing. That is for the decision of this House. It was I who was the spokesman of Government on the fiscal policy debate in February 1923, and for my speech on that

occasion I have been called in India a degenerate Indian Civilian and a callous opportunist. I have also been held up in the House of Commons to scorn. But, Sir, I remain entirely unrepentant and unashamed. I am quite prepared to bear my share of the responsibility for that Resolution. The whole Government share it and so does the Indian Legislature, and I still hold that in all the circumstances of the case that Resolution was right. As the result of that Resolution we have appointed this Tariff Board. It has made a very careful and elaborate inquiry into the steel industry in India. It has found that that steel industry satisfies the conditions laid down by the Fiscal Commission. It has found that it is in need of protection and I think we will all agree in this House that it will be a national calamity if that industry collapses. In all their inquiries the Tariff Board have held the balance in the most careful manner between the interests of the industry on the one hand and the interests of the consumer on the other. It is too much to expect that every body will accept or agree with their conclusions. Some people stand to lose money and lose profits if those conclusions are accepted, and many Indians who all their lives have clamoured for protection, now that they seem likely to get it, find that that protection does not suit their own immediate interests. But our position is quite simple. We have this careful, balanced, comprehensive scheme from the Tariff Board. As we see it, the scheme is conceived in an impartial manner. It gives the minimum of protection which is required by the industry. We have embodied these proposals of the Tariff Board in this Bill, and I ask the House favourably to consider that Bill.

I move, Sir, that the Bill be taken into consideration. (Applause.)

Mr. W. S. J. Willson (Associated Chambers of Commerce: Nominated Non-Official): In opening my remarks I would just like to remind the House of a statement which I made at the last March session, that I have a considerable interest in Tata's. I desire my position to be perfectly plain on that point but I ask the House to believe that in the remarks that follow I am guided by no personal considerations. I have my duty to my constituents who are 15 Chambers of Commerce in India, north, south, east and west, including Burma. This Bill of course, as Sir Charles Innes told us, refers practically, in its present stage, entirely to Tata's. They are not of course the first firm to start the manufacture of steel in India, but they are the first firm to start it on a really large scale. The Bengal Iron Co. started making steel and iron and were obliged to close steel down because they found they could not make the manufacture of steel pay. I feel sure that there is no one in this House who would like to see the great concern of Tata's Iron and Steel Works following in that wake. I know it might be said that the company might be reconstructed and carry on, but if it be said so, I should not be convinced of the advisability of it, because on the present outlook, the money could probably not be found in India. It is highly improbable that any Indian concern could take it over and it is not, in my view, to be thought of that we should allow this great national concern to be taken over by some foreign company. I think we may leave Germany out of the question at the time, but I am not so sure about America. Well, Sir, because I am willing, I am anxious, I am desirous, of offering assistance to this national concern, that does not mean that I can or do accept the Bill as proposed by the Honourable Sir Charles Innes. He has after very great consideration.

decided in favour of a protective tariff. Now, Sir, here I would like to pay my very high tribute to the industry, the care and the wonderful work in that Tariff Report which is put before us, but, Sir, it is its very perspicuity, its plainness, its simplicity, that contains in my opinion its greatest danger, namely, the danger that it should be picked up and accepted as it is *en bloc*. I give Government every credit also for the desire to produce a Bill which they believe to be very largely in accordance with the wishes of this house. But I am bound here to repeat the complaint we had to make in Delhi about this Bill being rushed upon this House with undue haste. The Tariff Board's Report was only published in the last few days of April, and here we are, having only received a copy of the Report a month ago, since when there has been insufficient time to properly circulate it round the country and to obtain in full responsible opinion as to the merits of the Report and of the Bill. Sir Charles Innes himself said that he had only last night received the letter from the Bengal Chamber of Commerce on that subject. Before I proceed further, Sir, I would like to say that I am representing the 15 Chambers of Commerce, but I am not speaking on behalf of Bombay who have two Members of their own here.

It may be said that part of the object of this haste was that Tata's required immediate assistance, and I have no doubt they do. In my view the immediate assistance would be given a great deal more promptly by the settlement of the matter on a bounty basis than is likely to be given on any tariff system. The means by which assistance can be given to Tata's appear to me to be three. Firstly, by tariffs, secondly, by bounties, and thirdly, by loan at a nominal rate of interest. I will take and dispose of the third one first, because a loan would have to be paid back and would be therefore purely "tiding over," and in any case I am convinced that whether this House passes this Bill in its present form or not, a subsequent substantial loan will have to be found and lent to Tata's. I know that one of the sweetest thoughts for the protective tariff system is, that the tariff collects the money itself and that in giving bounties only on rails and fish-plates, as the Bill proposes to do, there will be no difficulty in finding the money if you put the tariff up to a sufficient extent. But Sir Charles Innes himself said that, when you throw the protection stone into the pond, there is no saying where the ripples will cease. He also said that this Tariff Report on steel is probably the most difficult subject with which the Tariff Board will ever have to deal. In my view this present decision which we are now called upon to take is one of the most important, one of the most far-reaching in its effects on India as a whole, that the reformed constitution has ever yet been called upon to deal with. The proposal to impose these duties begins of course by causing rank injustice to places like Burma, about which you will hear later on: and not only to Burma but to all extremities. Exactly the same argument will apply to Karachi. Now, if you take the statement of the Tariff Board that steel is arriving in India to-day at Rs. 140 per ton, and you propose by the tariff to put on Rs. 40 duty you arrive at the price of Rs. 180, which the Tariff Board tells us is the approximate cost price, including profit, of Tata's steel. That is to say, they wish to sell at Rs. 180. So this Bill proposes to put on a duty of Rs. 40 at we will say all the ports. Let us take Bombay first. Therefore the price of steel at Bombay is raised to Rs. 180, but what would be the

price of Tata's steel at Bombay? If Tata's want Rs. 180 at Jamshedpur, the freight from Jamshedpur to Bombay I understand being Rs. 35 a ton, therefore the price of Tata's steel in Bombay, if they are to get their proper price, would be Rs. 215. So that I fail to see what use a tariff of Rs. 40 would be to them in Bombay. Now, let me take Karachi. The freight to Karachi is I believe Rs. 71. Therefore if Tata's are to get Rs. 180 net, they must sell at Rs. 251 at Karachi, whereas the tariff is going to raise the price there for the moment to only Rs. 180. Now, that same argument to a greater or lesser degree will apply whether you take Karachi, Bombay or Tuticorin or any other extremity, and all that this proposal to put on a Rs. 40 duty will effect for Tata's is that within their own geographical sphere, with the centre at Jamshedpur the protection will be of great value to them, but it will be of no value at all at the extremities, places like Karachi, Tuticorin and Burma. On the other hand the inhabitants, the dealers, the traders of Karachi, Tuticorin and Burma will all be subjected to the higher prices which they will have to pay. They will have to pay an added tariff and will still be unable to secure Tata's steel. Another point that is frequently overlooked is, that if you put on a tariff duty of Rs. 40, that becomes more like Rs. 60 by the time it reaches the consumer. Because the trader who buys at Rs. 140 charges a profit on Rs. 140; but if he buys at Rs. 180 he will assess his profits on Rs. 180; and so the snowball goes on until the original imposition of Rs. 40 a ton becomes about Rs. 60 by the time you buy your rice bowl or whatever it is out of the shops. I have said you cannot protect the Karachi trade for Tata's; you cannot protect the Tuticorin trade; you cannot protect the Burma trade. If you insist on having protective duties you must graduate them. If the duty which you require to achieve your object is Rs. 40 in Bombay, on the figures I have given you it would have to be Rs. 71 in Karachi. There is no proposal to have graduated duties. The House will therefore see, and that is my point, that these protective duties cannot achieve the object which it is sought to achieve by them. The only object they will achieve will be to penalize the whole steel trade. The steel trade is a basic one. By putting up the price of your steel, you will be putting up the cost of living everywhere; you will be putting up the cost of transport; you will be putting up the cost of roads and bridges; and, as Sir Charles Innes pointed out, you will be putting up the cost of domestic improvements in municipal and utilitarian concerns. The country would for this purpose have to be taxed Rs. 1,50,00,000. Yet there are those who will argue that because it is indirect taxation it is less severe than if a similar amount—though I am going to show you it would be much less—were paid out of the coffers of the State direct to a lame concern in the form of bounties. I have said that Tata's should be supported from the national point of view, and the way I would propose and which I ask you to consider, is to support them simply and solely on the basis of bounties. Take Tata's estimated production for the first year as 2,00,000 tons—and you have the import price stated by the Tariff Report at Rs. 140 per ton. The existing duty on that is 10 per cent., which raises the dealer's cost to Rs. 154 per ton. Please mark that figure. The Tariff Board's proposals on the tariff system are based upon the idea of raising the price of steel to Rs. 180. The difference therefore is Rs. 26 a ton—154 from 180 leaving 26. Now the Bill proposes to tax the whole country on the whole of the imports of steel which I have shown must still

inevitably come to certain ports and anyhow those quantities which Tata's cannot produce must come in, and the whole cost of that must fall upon the consumer. Under my system, if you agree to pay Tata's putting them in the same position exactly, Rs. 26 per ton bonus on their estimated output in the first year of 200,000 tons, you will cost the country 52 lakhs as against the Government figure of about 150 lakhs. Sir Charles Innes gave us this morning some figures based on Rs. 35 per ton. I do not know where he got his Rs. 35 per ton from, but I have shown you how I got my Rs. 26. In the second year if you take the estimated output at 300,000 tons, at Rs. 26 you get 78 lakhs and in the third year, if you take 400,000 tons at Rs. 26 you get 104 lakhs. The total of these three figures is 234 lakhs. That is what in my opinion you ought to be able to get off for and at the same time give Tata's as much help as this Bill proposes to give them with less taxation upon the public. Now, I know that the best argument, the one that is most likely to be raised, against the bounty system is the difficulty of finding the money. Now, just please remember for one moment that the Tariff Board wrote this Report at a time of great financial stringency. We were all at that time under the impression that we would have an unbalanced Budget. But at the conclusion of the year we found that there was a surplus last year of over 3 crores. We cut it down. It is quite probable, I venture to say, that the present year may also show some surplus; at all events it would be up to Sir Basil Blackett to find the money. There may be a surplus. I hope there will be. But, in the second place, if there is not, then there is someone else to whom I would appeal to help find this money. I would appeal to the Commander-in-Chief. (Hear, hear.) I would say to him: "You are an importer of steel. You use a lot of steel for your army and you would have to pay the increased duties yourself of Rs. 40 on some of that steel." (*Mr. M. A. Jinnah*: "That is exempt.") They manufacture much of their own steel. But, in any case, they are enormous users of steel, tremendously dependent upon it, and I would like to ask the Commander-in-Chief: "Where would the army have been in Mesopotamia in the great war had it not been for the Tata rails?" In this view, therefore, the Tata concern is of the utmost importance to the nation. It has played a big part in the past in war and it may do so again. It is for national reasons that we propose to support it, and it is right and proper, in my opinion, that the cost of it, therefore, should fall upon the national pocket. I have endeavoured to show that if it goes through the national pocket, it will cost a lot less. I have called your attention to the fact that the consequences of protection are absolutely like a snowball. Once you put a duty on steel, you raise the cost of everything. You will begin to get applications for protection from everybody else who has an injustice done to him, who uses steel. I will point out one defect arising under the Bill. The duty is put at Rs. 40 per ton. Supposing you require steel which you cannot or do not wish to get from Tata's or want at one of the ports; supposing you have to place a contract at Rs. 140 for 12 months, the amount coming forward (like Mr. Patel's Bombay pipes) by degrees; now, supposing you have placed your 12 months' contract at Rs. 140, and the price of steel falls to 120, and supposing Government, under the powers in clause 2 (which we must give them, I think) then put on an extra Rs. 20 duty, it means that the pipes which Mr. Patel ordered thinking they were going to cost him Rs. 180 would cost him Rs. 200; and every industrial concern will be in the same boat.

The consequence will be exactly what commercial opinion detests, namely, uncertainty, unreliability. If you tax steel, always remember you are taxing raw material. Every factory that you put up will cost you more. Supposing I have a factory and it was put with steel at Rs. 140, and you wish to come and compete with me, you have got to build with Rs. 180 steel and you are down from the start. You are 25 per cent. worse off than I am from the beginning (*Mr. K. Ahmed*: "But the money remains in the country!") That is no use to you if you fail to make your industrial concern pay.

That is a point which should not be overlooked. The bounty system will tell you exactly what the bounty costs you every year. You would be able to watch it. It can be readily adjusted. If under the tariff system it is necessary to make an adjustment of the tariff, there is an immediate upset of trade. Under the bounty system there is no upset. You fix the price of steel, not at a high level but a low one. You fix it practically at Rs. 154 and you pay Rs. 26. Should it go up to Rs. 36, the position is exactly the same as with tariffs. On the other hand, the bounty system has a much stronger stimulus on the productive departments of the Tata works than the tariff system would possibly have. Imagine yourself for a moment as a worker in the Tata works. Knowing that your department is earning a bonus, is it not a joy to see production going up? And if it goes up and produces more, you may safely, in my opinion leave Tata's to market it in the best places as it suits their pocket, convenience and development of their trade.

Finally, I leave every consumer free to buy his steel in the cheapest market. I interfere in no way with enterprise. I upset no capital costs. I cause no commotion. The simple thing resolves itself merely into a question of whether we can pay the money or not. And I submit most strongly that it is the most undesirable thing that this House could do to impose any tariff on steel, when you can get at the same results by bounty, and that is the principle which I ask this House to adopt.

Sir Purshotamdas Thakurdas (Indian Merchants' Chamber: Indian Commerce): Before I begin my remarks I would like to offer my congratulations to the Honourable Member in charge on the lucid statement that he made in introducing the motion that is before the House. As representing the Indian Merchants' Chamber of Bombay, it has been my lot to differ from the Honourable Member several times. But I can with confidence say that the manner in which he has placed the case before the House to-day is absolutely impartial and colourless. (Laughter.) I will at a later stage have again in the course of my remarks to-day to differ from the Honourable Member regarding some of the remarks of the Indian commercial community in connection with the pace at which the Tariff Board has been working. But I think it is only right that I should, Sir, at the very start say what I have said before in the press that the Tariff Board Report is a most valuable report and it is a report which shows that great care and immense pains have been taken over a problem which by itself was most difficult and which, as a beginning of protection to India, is bound to call forth a good deal of criticism and all sorts of remarks.

My principal reason, Sir, in rising to address this House at this stage is that I wanted to follow my Honourable friend, Mr. Willson who said that

he spoke on behalf of 15 different Chambers of Commerce all over India. (*A Voice* : "13 Chambers.") I do not overlook the fact that my Honourable friend represents the Associated Chambers of Commerce in India. I, as representing Indian trade and commerce, cannot claim that I represent 15 or even more than one Chamber of Commerce. But I can claim this that the one Chamber of Commerce which I have the honour to represent in this House has till now been recognised for most parts of India as representing the views and opinions of the Indian commercial community practically all over India. I therefore thought that it was only right that I should rise at this stage to put before the House the views held by the Indian commercial community in India as distinct from the views held by the European commercial community in India. (*Mr. W. S. J. Willson* : "I did not say Europeans.") I say European. I would like Mr. Willson to tell us the total number of Indians on the 13 Chambers of Commerce which he has the honour to represent in this House. I do not think that Mr. Willson can challenge the statement that the number of Europeans on all the 13 Chambers of Commerce is more than 75 per cent. of their membership. So much, Sir, for the beginning with which I wanted to preface my remarks.

I think, Sir, that the introduction of this measure in this House marks a new departure in the policy of the British Government in India ever since the time of British rule in India. One can go into the history of fiscal policy of British Government in India ever since the start. But this is hardly the time because it was only the last Assembly which accepted the policy and it is only a few years ago that the Government of India, at the instance of the last Assembly, accepted the policy of protection. Under that policy India wanted full protection but it is only discriminating protection that has been granted. It is therefore, Sir, only in the fitness of things to observe that the introduction of this Bill marks a new era and, even though the measure of protection offered may not be as full as some may like it to be, I think it is only right that it should be marked and that full appreciation for the introduction of this measure may be given to the quarters where it comes from. I fear even the very small beginning that we are offered on this question of the fiscal freedom of India would not have been possible if the Government of India had not accepted the Tariff Board Report. And I offer to the Honourable Sir Charles Innes, as representing the Government of India in this matter, the best thanks of the Indian commercial community for having made a start in this direction. I am aware that there will be many in this House who may think that the start is a belated one, that the start is a very weak one and is not sufficient to do India that good which we are all anxious to see. But the very fact that a start has been made is a thing which is to be noted with considerable satisfaction.

My Honourable friend, Mr. Willson complained that the time at the disposal of the public for the consideration of the Tariff Board Report has been much too short. He says that we had this Report only for one month and, although he recognises that there has been great depression of trade and consequently great depression in the steel industry in India in common with all other industries in India, I am rather surprised that the representative of 13 responsible Chambers of Commerce should get up in this House and complain that the measure is being introduced too early instead of being intro-

duced too late. In fact, many of us believe, and the Indian commercial community feel it almost unequivocally, that, if the measure were introduced later than it has been, it is quite possible that the very worst effects of free trade policy that has been followed till now might have prevailed. I really noted with great regret Mr. Willson still complaining at this late hour that the Chambers of Commerce which he has the honour to represent here have not had enough time to go into the Tariff Board Report and to criticise it. My Honourable friend said and quoted in support of that the fact that the Bengal Chamber of Commerce only submitted their views to the Government of India last night. Sir, this is nothing very extraordinary. It is only in keeping with what the Bengal Chamber of Commerce did to the Tariff Board. The Tariff Board remained in Calcutta for several weeks and the Bengal Chamber of Commerce never found enough time to put their views before the Tariff Board. Eventually they had to issue a statement explaining the reason why they did not find sufficient leisure at their disposal to submit their views to the Tariff Board. Later on, when the Tariff Board visited Calcutta for the second time, the Bengal Chamber of Commerce found that it was able to submit its views to the Tariff Board. Similarly, it is why the Bengal Chamber of Commerce could not submit their views on the Tariff Board's Report earlier than last evening to the Government of India. I do not think the blame can be laid at the door of the Government of India. I think the Bengal Chamber can safely be said to be following the same procedure which they did in connection with the evidence that they had to submit before the Tariff Board. The previous history and a good deal of research work that has been done before now in connection with the fiscal policy of the British Government in India from the very start would reveal some facts which, though very pertinent to the subject matter of to-day, are not necessary in view of the stage at which we are. But in connection with the opposition of the British Chambers of Commerce in India on this occasion I cannot resist the temptation of quoting the manner in which history repeats itself. In 1859, when the Government of India introduced what is now known as Act VII of 1859, the introduction of that Bill called forth the usual protest from the local vested interests such as the European Chambers of Commerce. Memorials were addressed to the Secretary of State by these Chambers of Commerce of which the one from the Bombay Chamber of Commerce was a typical one. I am very glad that it is not the Bombay Chamber this time. It is the Associated Chambers of Commerce *minus* the Bombay Chamber. This memorial showed the same solicitude for the importer and the Indian consumer as we see to-day and further mentioned their points as follows. In 1859, Sir, the Bombay Chamber brought out these points in their representation to the Secretary of State :

"(1) That the new scale of duties would practically fall upon the importers and the consumers. (*Mr. Willson expresses the same solicitude for the consumer and for the importer.*)

(2) That it was impolitic to place further burdens upon British trade with India. (*We have not heard that plea made yet.*)

(3) That it would check the British trade so valuable to England and her shipping interests. (*I have not heard anything about this so far.*)

(4) That it would stimulate the competition already commenced in the cotton industry.

(5) And that the lower duty on the import of cotton yarn would promote the Indian cotton industry with a corresponding detriment to the British industry." (*I have still got to hear some one urge this with regard to the steel industry.*)

Thus alleging the impolicy, the injustice, and the evils involved in the measure, the memorial concluded.

"In conclusion your memorialists would venture respectfully to express a hope that the commercial policy of Her Majesty's Government in India will not be inaugurated by a departure from those principles of Free Trade which are now recognised in England as the basis of commercial prosperity."

My friend, Mr. Willson, says he is in favour of protection to the steel industry because between 1859 and 1924 the best part of half a century has gone by, but he urges this House to modify the Tariff Board's Report. Mr. Willson says he fully sympathises with the anxiety of India for protection. I also understood Mr. Willson to say that he had a considerable stake in the Tata Iron and Steel Company, but he seriously urges that, when the Government of India after very full inquiry and deliberation have put forward this Bill, and at a time when the Labour Government is in office, he would like this House, Sir, to modify the Tariff Board's Report to the extent that protection should be given by bounties and not by protective duties. Of course the Tariff Board has nothing to say on the point, except that there is no money for bounties. My Honourable friend says :

"But you had a surplus last year and the Tariff Board when they drafted that part of the report did not know that there was a surplus."

He goes further and says :

"If the Honourable Finance Member cannot find the money, he would go to the Commander-in-Chief."

That is at least one point on which the Indian commercial community and the European commercial community are agreed, namely, that military expenditure in India should be reduced. Irrespective of protection, irrespective of duties, whether import or bounty, the military expenditure will have to go down before long. I hope Mr. Willson will keep company with us when we plead for that in this House. I wish my Honourable friend had told us regarding other countries which have profited by protection, not by protective import duties, but protection by bounties. I was listening very carefully to see whether anyone would tell us how Germany, Japan, and other countries had built up their protective walls, not by high tariffs, but by bounties. Whenever there is a surplus it has all along been said that we wanted reduction in existing taxation. The only safe and correct thing that has been carried out in other countries is the building of high protective walls so that you can keep imports out and build your own industries within them.

My Honourable friend said that the cost of factories would increase. It should increase in any case unless you can go on taxing the people for bounties. Do I understand my Honourable friend to mean that the question of effective protection in India should be put off until you can provide for that protection only by bounties? Is that the opinion of the Associated Chambers of Commerce and, if that is the opinion, may I ask my Honourable friend to make a rough guess of the number of years when we will be able to afford protection to, say, two industries?

Sir, I would like to say a few words regarding the remarks of my Honourable friend, Sir Charles Innes. He tried to defend, where he had, I think, nothing to defend and no occasion to defend, the Tariff Board, regarding

certain remarks of my Chamber in a letter to the Government of India, in connection with what my Chamber called the comparatively slow pace at which the examination of various industries for purposes of protection was being carried on. I am sure the Honourable Member cannot be forgetting that as soon as they found that the Government of India had either misunderstood or misconstrued, quite innocently of course, the Chamber's letter to them, the Indian Merchants' Chamber wrote and made it quite clear that they were second to none in their admiration of the Tariff Board's work, but that that did not prevent them from submitting to the Government of India that unless some other method was introduced it would be many years before other industries which require and are looking out for protection will get their turn for examination by the Tariff Board. One of the things the Chamber suggested was that instead of the Tariff Board going all over India, they may sit at one of the two places which are the headquarters of the Government of India and ask people who are interested in industries to go up to those headquarters of the Tariff Board and submit their views to the Tariff Board. Of course if the Tariff Board thought it would be necessary for them to go round to certain places, say, when they are examining coal industries, which I understand is referred to them, if they thought that a visit to the coalfields was necessary, there is nothing to prevent the Tariff Board from doing so, and I am afraid my Honourable friend has not correctly understood the Chamber's attitude when he said that the Government of India did not wish to interfere with the Tariff Board's liberty to work independently. That is the one thing which my Chamber has always stood for; and I want to make this clear if the letter of the Chamber is not quite clear. There is nothing in the Chamber's suggestion derogatory to the Tariff Board. All that the Chamber want is that the various industries which require examination by the Tariff Board should have their turn for such examination by the Tariff Board as early as possible and without any avoidable delay.

I wish now, Sir, to put before the House the two main features of the Bill that is before the House. There is nothing in the Preamble which conveys the clear declaration of the Government of India that it is their decision to give protection to the steel industry of India until the time when that industry is on its own legs and will need no protection. The period of three years mentioned in one of the clauses of the Bill has been liable to great misunderstanding and misapprehension on this score. I understand, and I am sure that the Tariff Board so recommended, the period to be for three years because they had reason to believe that at the end of three years, when the Jamshedpur works begin to turn out their full capacity, their costs ought to go down and the other various uncertain factors which we see to-day in the commercial and industrial world may more or less return to the normal. With this view I understand the Tariff Board recommended that at the end of three years it would be necessary for the Government of India to have another inquiry into the question of the steel industry, and that inquiry may necessitate a substantial change in the basic prices which have been fixed by the Tariff Board. This is my reading of the recommendation of the three-year period. But that does not mean that at the end of three years, after this Bill is passed by the Assembly, the policy of protection comes to an end and no more protection will either be required or be available. And I would ask the Hon-

ourable Member in charge whether it is not absolutely necessary to make this perfectly clear in the Preamble of the Bill, so that the period of three years may be looked upon as a period at the end of which there would only be an examination of details, what are comparatively details, though they may be important details, still they would be details of the main question, namely, of protection to the steel industry. For, Sir, I very strongly believe, and I wish to put it very unmistakably to the House to-day, that if the Government of India have not made up their mind definitely to give protection to the steel industry until that industry in India is built up, I think we had best not waste our time nor waste the money of the country in giving any protection at this stage for it would be a waste of time and it would be something worse than a waste as far as the consumer is concerned. Supposing you put on at present a crore and a half of burden on the consumer for three years it would come to Rs. $4\frac{1}{2}$ crores at the end of three years. If the Government of India are likely in the least then to say, "No more protection," what happens to the sacrifice made by the consuming public of India? All their $4\frac{1}{2}$ crores is wasted. If, on the other hand, the idea of the Government of India is that if on inquiry by the Tariff Board then it is definitely ascertained that after a certain period, six months or a year, through some extraordinary developments in the steel industry, no protection is necessary, that would be a temporary feature. But the question of protection is one which should be taken up only after the Government of India and the Legislature definitely make up their mind that they will continue the policy of protection right through until the country begins to manufacture practically cent. per cent. of all her requirements. It need not be quite 100 per cent. If it is 80 per cent., perhaps the balance of 20 per cent. could take care of itself. But if there is the slightest hesitation in the minds of this Assembly or in the mind of the Government of India that, at the end of three years, they may back out of this policy, I think it would be only fair to the country and to the consumer that this policy be not started at all. I therefore venture to ask the Honourable Member whether he would not make this definitely clear in the body of the Bill instead of leaving it to a few remarks which may be made from the Government benches opposite. If it is necessary and if it is the aim of the Government that with this policy, and behind the wall of protection that my Honourable friend opposite is laying the foundation of to-day, further steel factories should grow up in India within the next five or ten years, it is all the more necessary that the public, and especially the public which are inclined commercially and industrially, should learn definitely and in a manner that can be said to be unequivocal as far as the Government and the view of the Assembly are concerned, that the steel industry in India will continue to receive protection up to a certain point, which point also the Government of India may definitely state to-day if they so choose to.

Regarding the adequacy of protection, the Tariff Board themselves have said enough, and I do not think I need dwell on it at any length, but I would like to say this, that whilst it is very necessary that the protection that may be offered should not be extravagant—indeed, Sir, India at present and for the next few years looks like being least capable of affording anything in the direction of extravagant protection to any industry—it is very necessary that the Tariff Board and the Government of India should take every care

that the protection offered is at least such as will enable that industry to withstand the onslaught of industries from outside against what is known as dumping or efforts to kill nascent industries in India. Therefore, the protection should give as much support at least to a nascent industry as will enable that industry to keep going until the industry comes to a period where it is able to hold its own owing to production on a large scale, or other facilities being available to it. These are the two main features with which I think it is necessary to deal at this stage of the discussion in the House. I have very great pleasure in supporting the motion.

Mr. K. C. Nogy (Dacca Division : Non-Muhammadan Rural) : I beg to move :

"That the Bill be referred to a Select Committee."

¶ If I had any doubt as to the advisability of moving this amendment of mine, that doubt has been dispelled, if I may say so, after hearing the rulings that you have been pleased to give this morning with regard to the various amendments that are down on the agenda paper. We find that, though we can reduce the duties proposed, our authority is confined only to that, and we cannot in any manner improve the Bill from our point of view, and the Bill has got to be passed very much in the same state as we find it. Now, Sir, I am very thankful to the Honourable Sir Charles Innes for having given us the assurance that, if this Bill goes to a Select Committee, he will not stand on formalities, but will allow discussion on these various amendments that have been ruled out of order by you, across the table. I hope that he may relent a little in regard to one or two of the amendments that we may then be able to discuss, and get necessary sanction from the Governor General so as to enable us to adopt those amendments on the floor of this House and get them incorporated into this legislative enactment. Apart from this class of amendments, there are other amendments which will be moved in any case according to your ruling, Sir. I am responsible for one of those and I do not know really what the financial effect of it will be, and it is not quite possible for us to have a discussion across the floor of this House in the same manner as we can discuss such technical matters in a Select Committee. I thought that my Honourable friend Sir Purshotamdas Thakurdas was at one time opposed to a Select Committee, but from the speech which he has just now made I find that, in so far as he wants the period of the life of this Bill to be extended, he cannot but agree to this motion because that is a question which cannot under your ruling be adopted on the floor of this House and can only be discussed in the Select Committee and in an informal manner. Now, Sir, he has referred to this point at some length and has pointed out that by confining the operation of the Bill to a period of three years, the Government have departed from the spirit of the recommendations of the Tariff Board. Well, it is no doubt true that the Tariff Board recommended these particular rates for a period of three years, but they in Chapter 3 of their Report made it quite clear that there should be a clear declaration that the Government should stand firm by their policy of protection so far as the steel industry is concerned, which alone would be sufficient to attract more capital into this industry. And, so far as I can see, the Preamble of the Bill has departed from this recommendation of the Tariff Board. There is another

point which I want to raise in this connection. Honourable Members are all aware that the report of the Mercantile Marine Committee has been in the hands of Government for about three months. Well, I do not want to pry into the secrets of the Department over which my Honourable friend, Sir Charles Innes, presides. In fact, I stand in holy horror of the Official Secrets Act which was passed in spite of my opposition. It may be that the Mercantile Marine Committee has said something about the protection and development of the shipbuilding industry. I do not know. I find Sir Basil Blackett thinks that there is no such recommendation. Well, I want to be assured on that head, because I find that whereas the Indian public opinion is definitely in favour of some protection being granted to the nascent shipbuilding industry in India, this Bill proposes to place foreign importers at a distinct advantage over the Indian manufacturers, as it is proposed to exclude imported steamers, launches, barges, flats, boats and other vessels from the enhanced duty on fabricated steel. The price of every item of steel that the Indian manufacturer will have to use for the purpose of his manufacture of these things will certainly go up and to that extent the Indian manufacturer will be placed at a disadvantage. It is no doubt true that the Tariff Board has more or less casually gone into that question. But if I am correct in thinking that the Indian Mercantile Marine Committee had something to say about it, then in all fairness to this Assembly the Government ought to tell us what those recommendations are. If, however, Government find any difficulty in publishing the report at this stage, I would suggest that that portion of the report which may relate to this question may be circulated to Members of the Select Committee confidentially. When I make this suggestion I do not speak without precedent, for in the autumn of 1920, when the Auxiliary Force Bill and the Territorial Force Bill were under consideration in the old Imperial Legislative Council, the Esher Committee Report had actually been received by the Government of India but had not yet seen the light of day, and, when the non-official Members wanted to know what the Esher Committee had to say about this matter, the Government circulated that particular portion of the Esher Committee's Report that related to this question confidentially to the Members of the Select Committee who made ample use of that in their report. This is one of the main reasons that has prompted me to send notice of this amendment.

Now, Sir, I think considerable attention has centered round clause 2 of the Bill which deals with offsetting duties, and I do not suppose anything has yet been said from the non-official side with regard to the desirability of leaving the whole question to the discretion of the executive Government. Well, Sir, we have been told that since the Report of the Tariff Board has been received prices have gone down considerably, of continental steel particularly (*Voice*: "Gone up"), and it is thought probable that prompt action may have to be taken under clause 2. I had a glance through the latest numbers of some of the technical journals, which I am sure Sir Charles Innes also must have perused, and I find that everywhere in Europe and America tremendous efforts are being made to secure orders at any price. It is stated that there is a good deal of nervousness in Belgium and prices are expected to decline steadily all round. I am quoting from the latest issue of the "Ironmonger" to hand in India. The United States of America report a quiet

market with a heavy stock of steel on hand and concessions are stated to be available on attractive tonnages. America herself has been hit hard by European competition. The States are increasing their imports from the continent and steel rails from Europe are being landed in the United States at 3 dollars per ton below American rail quotations after paying import duties; and the Federal Legislature of the United States of America was to have reintroduced only three days ago, that is to say, on the 24th May last, the Preferential Railway Rates Bill which was introduced in 1920 in favour of exports shipped from America in her own vessels but afterwards suspended. Reports from Great Britain also indicate disturbed conditions and a collapse is apprehended on all sides. Great as the danger of price cutting is, the danger is greatest from countries with depreciated currency. I quite appreciate the difficulties of providing any hard and fast additional duty in the case of the countries having a depreciated currency. But I propose to raise this question in the Select Committee, and I would ask the consideration of Government to a suggestion as to whether additional offsetting duties could not be provided in the Bill itself, provided the Governor General agreed of course, just for the purpose of meeting the countries having a depreciated currency.

Now, Sir, there were some minor points which I wanted to touch upon, but as it is getting late and several other Honourable Members are anxious to speak, I think it would be better just to mention them because I am confident that this motion of mine will be acceptable to this House and I will have an ample opportunity of discussing them in the Select Committee. Those relate to the question of giving protection to steel castings on which question I think the Honourable Sir Charles Innes has already received a representation, because I myself was supplied with a copy of the letter that was addressed to him. Then there is the question about galvanised sheets about which I have myself tabled an amendment. But these are comparatively minor questions and I do not want to take up the time of the House by entering into a discussion thereon just at the present moment. I move that the Bill be referred to a Select Committee.

Mr. President : The question is :

“That the Bill be referred to a Select Committee.”

Pandit Madan Mohan Malaviya : I rise to oppose this motion at this stage. I think that the principle of the Bill has not been sufficiently discussed and it is too early to propose that the Bill be referred to a Select Committee. When the principle of the Bill has been fully discussed and when it is clear that the sense of the House, as a whole, is in favour of the principle upon which it is based, it will be time for my Honourable friend Mr. Neogy to press his proposal that it should be referred to a Select Committee. I may briefly draw attention to the great importance of the subject and I do think that the House will agree with me that we should not try to rush the Bill through the Legislative Assembly. In the first instance I congratulate the Government on the decision that they have arrived at to introduce protection after all in this country. I heartily congratulate them on it. We Indians prayed for it for nearly the last 40 or 50 years and it was a cry in the wilderness and therefore our satisfaction is genuine and the expression of our gratitude is deep to the Government of India for having decided to extend protection to an im-

portant industry in this country. It was said by the Honourable Mr. Willson that the Bill was being rushed. I fear I cannot agree with him. Mr. Willson forgets that the suggestion that steel should be protected in India is, as the Honourable Sir Purshotamdas Thakurdas pointed out, a very old one. It has not come a day too soon. I would like to show my friend how late in the day the Bill has come. I would only tell him of what was written by Mr. Ball, Deputy Superintendent of the Geological Survey, in his work on Economic Geology which was published some time before 1890. He there said :

" If the Government had started the manufacture of iron on an extended scale at the time of the first opening of railways, great benefits would have accrued to the State. If the State was justified in undertaking the construction of its own railways there was nothing inconsistent in principle in its undertaking the manufacture of its own iron any more than in its manufacture of salt or opium. The effect of its establishing factories for iron manufacture throughout India would have (in Mr. Ball's opinion, says Mr. Justice Ranade) enabled the State to keep vast sums of money in circulation and would have given employment to large numbers of people who now resort to agriculture as their only resource. The golden opportunity was allowed to pass and we find ourselves in the anomalous situation that after 150 years of British rule the iron resources of India remain undeveloped and the country pays about ten crores of rupees yearly for its iron supply while the old race of iron smelters find their occupation gone."

Since then the question has been before the Government but a decision was arrived at only very recently and the Government have been very careful if I may say so. Some people will say that they have been overcautious. Some will say that they have been very slow but certainly they have been very careful in arriving at a conclusion on this question. The need for such a conclusion was pointed out by the Government of India in 1915 when Lord Hardinge's Government said in their despatch of the 26th November 1915 :

" It is becoming increasingly clear that a definite and self-conscious policy of improving the industrial capabilities of India will have to be pursued after the war unless she is to become more and more a dumping ground for the manufactures of foreign nations who will be competing the more keenly for markets, the more it becomes apparent that the political future of the larger nations depends on their economic position."

It was in pursuance and support of that policy that a Resolution was passed by the Assembly and a Tariff Board was appointed. We complained that the Report of the Tariff Board had not been put before the Assembly in the Delhi session and I do not think there is any justification for the view suggested by my Honourable friend that the report has been placed too late before the country and Members of this Assembly. I think, Sir, that the matter has not been taken up one day too soon.

But apart from that we have now to consider how important a measure this Bill is and we have to discuss it in all its aspects before we give our assent to the proposal that the Bill be referred to a Select Committee.

Now what is the principle of the Bill ? The principle of the Bill is to protect the steel industry by a tariff and not by a bounty. My friend Mr. Willson put forward an extremely well argued point before the Assembly and pointed out that we should resort to bounties to give assistance and should not resort to tariffs. My friend Sir Purshotamdas Thakurdas has already answered that point. I agree with Sir Purshotamdas Thakurdas that no country has built up its industries so far as I am aware merely by the help of bounties. Bounties have been given to encourage certain industries like the shipbuilding industry. If shipbuilders produce certain types of ships they

will receive so much as a bounty. This is done to push that shipbuilding industry or any other industry like that, but in no country, so far as I am aware, has an indigenous industry been protected from the competition of foreigners merely by means of bounties. I therefore think that, as the Honourable Mr. Willson is genuinely anxious that this great indigenous industry should be protected, he will revise his view and be able to think with us that protection by means of a tariff is the only right course which can be pursued in this situation. But a friend asked: "Why protection at all?" As the Honourable Sir Purshotamdas Thakurdas was speaking, there were voices from behind, "Why protection at all?" and I think there are several Members who would like to hear a little more about the need for protection. Personally, I do not share any misgivings about that. I feel, and I think my friends when they have studied the question will feel, that no modern country has built up its trade without the help of protection. England is no exception to the rule. England has resorted to protection when she needed it and has discarded it when she was strong enough to discard it and when it was to her advantage to discard it. But I will give the example of America. The United States of America did not manufacture even pig-iron in 1860. About that time they began to manufacture steel and you know the progress they have made from King Log to King Steel, and so on. That was done by means of protection. Germany built up her industries by means of protection. It is not possible to build up a great industry like the steel industry without the help of protection. I therefore feel certain that when my friends who are in doubt will study the question they will be convinced that this protection has to be offered to national industries and should be offered only to national industries in order that those industries should stand on their own legs against competition from older establishments which have greater resources, greater technical skill and experience and greater commercial ability in finding markets for their products. But just for that reason I wish to draw attention to two other matters which arise in the Bill. What is it that you want to do? I fear, without meaning the smallest disrespect, that the Government of India have not made up their mind absolutely clearly on the policy which they are going to pursue. I fear that they are still fighting shy of firmly and clearly saying that they think it their duty to afford protection to such Indian industries as are genuinely Indian. If I am wrong I should be very thankful to be corrected; I shall be happy if I am mistaken. I shall be thankful to know that the Government of India have made up their mind that they will promote Indian indigenous industries by means of such protection as may be necessary and of which we have the present Bill as an instance before us. I want to make it quite clear what the object of us, Indians, was when we asked for protection. That was very clearly stated by Sir William Clark who was the Member for Commerce in this Government at one time. Members of this House will remember that on the 21st March 1916 my friend the Honourable Sir Ibrahim Rahimtoola moved a Resolution in the Imperial Legislative Council urging the appointment of a Committee to consider and report what measures should be adopted for the growth and development of industries in India. Speaking on that Resolution, Sir William Clark said:

"The building up of industries where the capital, control and management should be in the hands of Indians is the special object we all have in view."

He emphasised that it was of immense importance alike to India herself and to the Empire as a whole that Indians should take a larger share in the industrial development of their country. He deprecated the taking of any steps if it might (I am quoting his own words) :

"merely mean that the manufacturer who now competes with you from a distance would transfer his activities to India and compete with you within your own boundaries."

He clearly guarded against that possibility, namely, that no system should be adopted by means of which the manufacturer who was competing with us from a distance would transfer his activities to India and compete with us within our own boundaries. Now, Sir, I want that the Government should make it absolutely clear that this is the object which they have in view. It is only such an object for which protective duties can be justified. Protective duties can be justified only in the view that the benefit which will arise from that protection will not be limited to the members of a particular firm, will not be limited to the shareholders in that particular firm, but will be shared by the country generally. It is only on that basis that you can reasonably ask me to pay five rupees more for an article than I would otherwise pay. It is only on that principle that you can ask the country as a whole, whether it be in the shape of bounties or whether it be in the shape of paying higher prices, to join with the Government in affording protection to a nascent industry against foreign competition. The moment you depart from that principle you lose all justification for imposing a protective duty. Let us take, for instance, what would happen, if, suppose to-morrow a big European company were formed and established itself near the Tata Iron and Steel Works with a huge capital, with all the advantages of expert advice and assistance and the assistance of the experience not merely of decades but of centuries. It utilizes all the raw materials which are available in the country ; it exploits the labour available in the country and it earns huge profits, larger than it would earn by having its works in Birmingham or Sheffield, or in Sweden or Belgium for that matter. What justification can there be for asking the people of India to bear the burden which larger prices would involve ? I do not know of any canon of economics under which a policy like that could be justified for a moment. It is therefore only in order to support an indigenous industry, an industry, in the words of Sir William Clark, where the capital, control, and management should be in the hands of Indians, that you can justify protective duties. Let me quote another authority, Sir Frederick Nicholson, who has done a great deal to promote industrial development in the Madras Presidency. In his note which he submitted to the Industrial Commission he said as follows :

"I beg to record my strong opinion that in the matter of Indian industries we are bound to consider Indian interests firstly, secondly and thirdly. I mean by firstly, that the local raw products should be utilized ; by secondly, that industries should be introduced ; and by thirdly, that the profits of such industries should remain in the country."

Now, that is the ground, the genuine ground, for affording protection and support to an Indian industry. I hope and I have no doubt that the Government have no other object than this. I hope the Government do not desire that foreign companies, wherever their habitat may be, should come and establish themselves in India and take advantage of the Bill which we are now passing in order to earn larger profits than they are likely to earn without

such protection. My friend Mr. Willson says they will. I entirely agree with him and that is what I wish to guard against. It would be a calamity, it would be a crime against the public interests, to pass a Bill without sufficient qualifications or safeguards if the Bill is likely to lead to the result which I apprehend and which I am thankful to have a business man of the calibre of Mr. Willson say, will happen.

Now, in order to guard against it, I wish to draw attention to the necessity of making certain matters clear in the Bill. The Bill starts with saying that it is a Bill to provide for the fostering and development of the steel industry in British India. Now, Sir, that is a wrong heading. Later on you find the Preamble proper explains :

"Whereas it is expedient, in pursuance of the policy of discriminating protection of industries in British India, to provide for the fostering and development of the steel industry by increasing the import duties leviable on certain iron and steel articles and by enabling bounties to be granted to manufacturers in British India of certain such articles; It is hereby enacted as follows :

That this Act shall be called the Steel Industry (Protection) Act, 1924."

It seems that the mind of my friend the Honourable Member in charge of the Bill was somewhat uncertain—I do not mean any disrespect ; perhaps he was labouring in a difficult situation, but he appears not to have felt quite certain whether he should call it clearly a protection Bill or put the words he has put. I would request him, not in any spirit of opposition, nor by way of carping criticism—to cut out the words "for the fostering and development of the steel industry in British India." That is the first change which I would suggest, because that would make it clear that the object is to afford protection.

Now, Sir, there are two aspects under which the people of any country can be asked to bear a burden. One is that you can ask the public to bear the burden of taxation or to bear the burden of higher prices for certain commodities in order that they should protect an existing national industry. That is one thing. If the public feel as the public are represented to feel in the Legislative Assembly and in the press—if they feel that a particular industry is of sufficient national importance to deserve the sympathy and protection of the public, they will bear that burden willingly in order that industry should be protected. It is an existing industry. It has cost labour ; it has cost money ; it has cost a great deal of pains. Take, for instance, the Tata Iron and Steel Works. They have cost, I understand, about 24 crores of rupees, many years of labour, many years of prospecting during the time of the late Jamshedjee Tata : many years of consultation with the experts and Members of the Government of India, and the help of foreign experts have all gone to the building up of those works. That is an existing industry. Its importance has been demonstrated, as was mentioned by the Honourable Mr. Willson, in the late war. Without the rails which the Tata Steel Works supplied, the success of the British arms in Mesopotamia would not have been so certain as it was. Gratitude demands that we should remember that. We should also remember that the people of the country, the humble as well as the high, have invested a great deal of their hard-earned money in the Tata Steel Works, that the shares are held mostly by Indians. I am told that of 10 crores and odd of subscribed capital about 9 crores is held by Indians. I am not sorry that a crore is held by Europeans. I shall be glad if a certain

portion of money subscribed is held by our European firms who have established themselves for good in this country and wish to remain with us as friends and fellow countrymen. But the main point is that the bulk of the capital in Tata's has been subscribed by Indians. It has demonstrated its utility, and now that so much money and labour has been spent upon a company like the Tata Works, the people can well be asked to bear the burden of fresh taxation or to bear the burden of higher prices in order that those works should be protected against the attacks of foreign manufacturers, who, recognizing the position, are willing to dump their goods at less than cost price in order to hit the Indian manufacturer. There is a clear case for protection. There is a clear case for shouldering the burden in order to help the industry.

The second aspect is the passing of a Protective Tariff Bill to encourage men who have no industries established here yet to come in and establish industries.

The Bill, as it is drafted, will accomplish both these objects. It will afford protection to the Tata Company. It goes beyond that. It invites foreigners, as I understand the Bill—and I shall be very thankful to be told that I am wrong—it invites foreigners, whoever they may be, to come to this country and build up steel factories and to start works on a larger scale than the Tatas and to enjoy all the profits that they can. I ask my Honourable friend the Member in charge of the Bill and anyone else who is in support of the Bill as it stands to tell me if there is any precedent in any country or any canon known to economists under which a proposal to tax the public generally in order that foreigners should come and establish certain factories in the country in which the people are taxed has ever been put forward. I submit it cannot be. I submit it is opposed to reason. Common sense revolts against it. It would be the very reverse of the correct process. This Bill offers an invitation to foreigners to come and settle down here. I am not surprised to hear that one big company with a capital of 20 crores has already been, I am told, formed. I am not told that it has started work, but I am told that the United Steel Corporation of Asia with a capital of 20 crores has already come into existence, and I am told that the shareholders of that company are not Indians, that they are mostly non-Indians. Now, Sir, just see the danger to which we are exposed by the provisions of the Bill as it stands. My friend Mr. Willson helps me by saying "Bounties." He seems to think that bounties is the method by which we should proceed. I fear that bounties alone have never protected any large national industries. They have stimulated the industries where the number of industries has been the object. Now, this is one of the instances, and there are other instances. I hope this Bill is the forerunner of other Bills which will give protection to national industries; or at any rate protection will be extended by this Assembly by means of other legislation to other industries. I am told that at present a Swedish combine has been formed with the object of establishing huge works for matches in this country. I am told that they are coming in to take charge of the entire field of India, so far as the match supply is concerned, and I do not know, Sir—I hear, I should like to know. I have given notice of a question to know—whether the Government of this country is aware that a Swedish combine has been formed in order to promote the manufacture of matches on a large scale in India and whether they have obtained through intermediaries in India any

concessions from the Provincial Governments. There are several match factories in existence. There is one at Ahmedabad. There is another at the Sunderbans. There is a third factory at Shahdara near Lahore. I am told there is one at Lucknow also. These factories are in existence. One can easily understand that, if the terms of the Bill under which protection is to be extended to any particular industry in India are not very carefully framed, the foreign merchant might come and kill any industry of India. There are similar cases. The foreign merchant naturally wants business. I do not blame him. The war has hit many of them hard, and those who have not been hit hard want more business and they cannot keep on unemployment. I am told that many manufacturing firms are running their works at a loss. I am told that they are willing to undersell the Indian producers. I think, therefore, that very great care has to be taken in any legislation which is to be passed by this Assembly that, instead of doing good to our people, we do not expose them to unnecessary hardship. I understand that the need for this caution is very great. I am reminded of another instance which shows it. The Government of India in 1921, I think, issued a notification saying that they wanted 400 locomotives in this country, that they wanted 160 locomotives in one year, 200 in a particular year and 400 locomotives in the year after that, and I am told that when this company was formed there was the assurance held out by the Government of India that they would so purchase locomotives (*Dr. H. S. Gour* : " For a period of 12 years ") for a period of 12 years. I am told that when this company was formed manufacturers from outside, who had been supplying locomotives of a certain type at £13,500 apiece, reduced their price to £5,000 apiece, that is to say, but £8,500 each. And I am told then that the Government of India did not give the assurance to the company that they would buy from them but qualified the assurance or withheld it or did something which has left those who formed the company in the lurch. I shall be very thankful to know from the Honourable Member in charge of Commerce that my information is not accurate. I shall be very thankful to know that the facts are the reverse of what I have said. I shall be very thankful to know that this company which was encouraged to come into existence will receive all the support that the honour of the Government of India entitles it to receive, because the Government of India pledged their word to them that they should form themselves into a company. Now, Sir, all this leads me to think that we must be on our guard against a larger measure of protection being extended by the Bill than can be justified in the interests of the public. I fear that the clause as it stands goes beyond it. It says it is not to protect the existing industry. The Honourable the Member in charge of Commerce has said that the Tata's Steel Industry is the only industry which will be practically affected by this measure. Why not, then, confine it to them and say that this Bill is intended to protect the Tata's Iron and Steel Works and nothing more ? It is a big enough industry to require special legislation. There has been legislation for much smaller things and bodies. Is it impossible or unreasonable, then, to ask that the protection which is offered here should be confined by name specifically to the Tata Iron and Steel Works ? If it is not what I want is that there should be no word in the Preamble which would lead people to think that the object is to provide for the fostering and development of the steel industry by raising the import duties leviable on certain iron and steel articles and by enabling bounties to

be granted to manufacturers in British India of certain such articles. They may be Swedish, they may be Welsh, they may be Americans, they may be Australians, they may be Irish, they may be Scotch. The Bill merely states manufacturers in British India. There is no law under which you could refuse to register a company such as there is, I understand, in Japan. In Japan, at least some time ago, when a company was to be registered, the Government took care to see that the shares were, in the first instance at least, confined only to the Japanese. I do not think that there is any law in India which can limit the investment of money in that manner. You merely say that any manufacturers in India will be entitled to such a benefit. Therefore you are holding out a clear invitation to manufacturers outside to come and establish their firms in India. I hope, Sir, that this matter will receive the attention of the Member in charge and that he will find out some phraseology which will make the meaning of the Government, and in which I hope the Assembly and the Government are of one mind, clear that what the Government seek to do is to offer protection and a reasonable means of development to an existing great national industry and not to individual foreign firms to establish themselves in this country who should be saved from the trouble of shipping machinery and products from long distances and offering their products here to the people who want them. This is the first thing.

The second thing which I want to mention in this connection is the limitation of the duration of the Bill to a period of three years. I regret I differ from my Honourable friend Sir Purshotamdas Thakurdas and Mr. Neogy, if I understood him rightly, in desiring that this limitation should be removed. I think the Government are perfectly right in fixing this limitation to a period of three years because that is a time during which we can see how the Bill has operated. The Bill inflicts a heavy sacrifice upon the people. In three years' time we shall have seen how the Bill has operated and what changes have taken place. If the necessity should still exist of protecting the Tata Iron and Steel Works, I expect, Sir, that this House will be fully willing to extend that protection to them. But if we omit this limitation and leave it open to people to think that this is to be a permanent Bill for all companies which may be formed in India during this period, then I fear we shall be invaded by companies and we shall be more helpless in their hands than we are at present. For that reason I hope that, if the Bill goes to the Select Committee, this matter will be very carefully considered.

The third point to which I would make a reference is this. There are several Honourable Members who, though generally desirous of giving necessary protection to the Tata Iron and Steel Works, are not quite satisfied about the management of labour within those works. As I found from the paper on the table that several Honourable Members have misgivings on that score, I have thought it right to refer to it. I hope that something will be done by the Government to obtain an assurance from the Tata Iron and Steel Works that all reasonable complaints of labour will be reasonably considered and that necessary redress will be offered. That is essential. When any company comes before the national Assembly to ask for protection, it is certainly right that the Assembly, representing the people and not merely the capitalists, should insist upon being assured that every reasonable complaint of labour will be listened to and, where necessary, remedied. I hope this is not too

much to ask. I do not say that I endorse the complaints that have been made. I do not say that the complaints are groundless. I only draw attention to the necessity of the Government obtaining the assurance from the Directors, which I think they should have no difficulty in getting, that every reasonable complaint will be listened to, and that they recognise that labour contributes in no small measure to the success of the works in which they are interested and in which we are interested. I have nothing more to say. I hope that these points will be borne in mind. I have no doubt that the matter will be fully discussed by the Select Committee.

The Honourable Sir Basil Blackett (Finance Member): Sir, it is remarkable experience to one who went through last session to find even 10 Members of the House agreeing with him. On the present occasion there seem to be only about four and a half who are opposed. I was particularly surprised when the Honourable Pandit Madan Mohan Malaviya got up and made me for a moment believe that he was going to agree with the Government. I rather believe that he is going to vote with them; but he succeeded in being consistent with himself by finding more that was not in the Bill with which he could disagree than by making any attempt to agree with the Bill itself. I shall be surprised even now if he votes for it, because I have a memory of an occasion a little more than two months ago when he said that, so long as this Government was not absolutely responsible to the people of India, it was the duty of this House to vote against all measures of taxation. This is a measure of taxation. Mr. Jinnah asked a question just now as to what was the meaning of discriminating protection. I think the answer is that it is the same thing as discriminating free trade. What we have got at the present moment I would describe as either indiscriminate free trade or indiscriminate protection, and we wish to introduce a little bit of discrimination into our methods of customs taxation.

Mr. M. A. Jinnah: Was it ever wanting?

The Honourable Sir Basil Blackett: I will come first to the question of a bounty. Mr. Willson made a very attractive case for a bounty. He seemed to forget that we do already protect steel to the extent of at least 10 per cent. (Mr. W. S. J. Willson: "No, I do not forget that.") If he was to be consistent in his view, I think he would have, at any rate, to abolish all customs duties on imported steel, and we should probably have to go further and abolish other customs duties on the ground that they take more out of the consumer than comes into the exchequer. His case really rests on the possibility of introducing a system of taxation which is entirely direct. If you had a complete system of taxation that was nothing but direct taxation, then you would perhaps succeed in never taking out of the tax-payer an anna or a rupee more than comes into the exchequer, but human nature is weak and I know of no country that has succeeded in raising all its revenue by direct taxation. The alternative therefore to the present proposal, which is to increase to a certain extent the existing duties on steel and to use a certain amount out of the exchequer for the payment of bounties, would be to increase some other form of taxation—indirect taxation presumably—and I do not know whether you would be very much further forward; but in face of the attitude of this House towards increased

taxation, no Finance Member is likely to view with great favour a proposal which begins by suggesting bounties to a very considerable extent on steel, and behind which there looms a demand for bounties on a great many other goods. If we are to accept the doctrine that discriminating protection in any form is desirable in India, I do not think it will be easy to improve on the method chosen by the Tariff Board. I was glad to find the Honourable Pandit Madan Mohan Malaviya asking some of the questions which underlie the principles of this Bill. Why are we introducing this Bill? We are not introducing it in the interests of the Finance Member or the tax-payer in the first instance. I am sorry to say that, although the Tariff Board figures themselves involve a certain annual charge on the exchequer, I fear that partly owing to the fact that the Bill is introduced now instead of two months ago, and partly perhaps because I am more pessimistic by nature than the Tariff Board, the actual cost to the exchequer for the next three years will be rather larger than the figures given by the Tariff Board. That is not so much because their estimate of the cost to the Government needs alteration, but I am inclined to think that their estimate of the additional customs duties that will be collected is slightly higher than is likely to prove the case. We are not introducing the Bill therefore in the interests of the Finance Member. Nor are we introducing it merely for the benefit of the Tata Iron and Steel Company. I do not know whether many Honourable Members in this House would support the Honourable Pandit when he suggests that this Bill should be made what the Romans called a *privilegium*, a law in favour of a particular company. However much sympathy we may have with the national achievements of the people who have built up the Tata Iron and Steel Company, I do not think that it could be expected that any Government could introduce and pass legislation purely to enable that Company to pay dividends to its shareholders. I hasten to say that I have not for a moment any idea of suggesting that the Company is in need of any such special legislation. The Company would not be where it is if it had not possessed great men. It has achieved a very big work in India; it has built up out of a desert a town of 90,000 and the biggest industrial concern in India, and it surely cannot be pretended that a company of that sort is in absolute need of spoon-feeding from the Government. That it has had its difficulties the Tariff Board Report brings out clearly, but I would like to ask those who talk about it, that in their desire to convince the Government, who are already convinced, of the need of protection for the steel industry, they should not exaggerate the difficulties of the Tata Company. Why then are we introducing this legislation? It is not even because it is in the interests of the labour employed at Jamshedpur, though I think they stand to gain by an improvement in the condition of their employers. I was interested to note by the bye that the Tata Iron and Steel Company employs labourers at Jamshedpur, but the new company of Pandit Madan Mohan Malaviya's imagination, which was to come from abroad to found an industry in India, was going to *exploit* labour. I should like to know what the difference is. The workmen at Jamshedpur undoubtedly stand to gain, but it is not for their benefit that we are introducing this Bill. We are not introducing it, I should like to say on behalf of the Government, simply because we have given way to a nationalist demand in which we do not believe. That has been suggested from some quarters. If the Government

of India were honestly convinced that the nationalist demand was contrary to the true interests of India, I for one do not think that it would be the duty of the Government of India to introduce such a Bill. The Government of India are introducing it because they are convinced that, on the whole, it is desirable in the general interests of India to build up not merely a steel industry, which is already founded, but from that to go on to build up an industrial system in India with other industries increasingly numerous and increasingly strong to get away from what might be called the somewhat lopsided development of the India of to-day. In the India of to-day I do not say there is too much agriculture; that would be impossible; but there is too little industry in proportion to the agriculture. There are other directions in which India is lopsided. There are too many B. A.'s and failed B. A.'s who cannot find an opportunity of suitable work except in politics sometimes. Somebody said to me the other day that the great difference between the United States of America and India at the present moment was that in America the educated people are too busy and have too many other attractions to worry with politics, whereas in India the educated people have so few other attractions that they worry too much with politics. (*A Voice* :—"It is not their fault.") The question of somebody's responsibility does not arise. I am stating a fact. I was interested to see that Pandit Madan Mohan Malaviya only started from 1890. We should have liked to have heard from him Chandragupta's views about protection. The lopsidedness of Indian development—the difficulty of that lopsidedness, we hope,—will be improved by this new departure or rather by this putting into effect of the decision taken some time ago that there should be a new departure in the direction of discriminating protection in India. We want to encourage the development of industries. We want to encourage the development of other steel industries to compete with Tatas within India. I am sure that there are many in this House who would agree that to introduce a Bill of this sort solely for the benefit of one company and to pass legislation with a view to prevent other companies within the protected boundary from competing with that company would be entirely wrong. I do not mean to say that there are no evils connected with the importation of foreign capital, but it is a subject on which one has to speak with some caution. You cannot condemn root and branch the importation of foreign capital. I would draw the attention of the Honourable Pandit first of all to his own remark that the steel industry in the United States grew up as the result of the importation of British workmen, and secondly, I should like to draw his attention to the fact that for a long time more than half the capital which created the railways of the United States was British and that up till the war a very large portion of it remained British. The dangers connected with the importation of foreign capital are undoubted if they are not carefully watched, but nothing could be worse for India in my opinion than to condemn in all its forms the use of foreign capital.

That brings me to another connected question. We are introducing this Bill for the discriminating protection of steel as part of a general policy,—I would hasten to add in answer to those who have asked the question—as part of the general policy of developing such industries as are genuinely Indian and need protection. I do not understand what the objections are to the Preamble of the Bill. The Preamble of the Bill takes up the words

"discriminating protection" from the Resolution that was passed a year ago, and its intention is that it should put into the forefront of the Bill the desire of the Government to carry through to its logical conclusion the decision to introduce discriminating protection. It is true that the Bill itself is limited to three years for obvious reasons—reasons connected with the present disturbed and uncertain state of the world as a whole and with the uncertainty as to what will be the minimum cost of production of steel in well-managed Indian workshops. Three years hence it will undoubtedly be necessary to have another inquiry and there is no fear, as the Bill is drafted, of the Government merely letting the Bill drop and doing nothing, because I would point out that the Finance Member would thereby lose a very large amount of revenue unless the Bill was replaced by another Bill. But when we are introducing protection we must not lose sight of its dangers. They are well known and they are real. It is perhaps undesirable to dwell on them. One does not want to suggest that things are happening which are not happening, but anybody who has had any experience of what the hotels in Washington were like at the time when a Tariff Bill was under discussion will know the sort of dangers that are involved. India is and must remain a predominantly agricultural country. It is desirable that there should be an industrial development to balance it on the other side, but it must always remain predominantly agricultural. If so, any protection to any industry must be the minimum that is absolutely necessary and not more. Otherwise it means that you are taking money out of the pockets of a vast number of agricultural labourers for the benefit of a few. Protection must justify itself in the long run by increasing the national dividend, by giving a better opportunity for a good life to a larger number of people. If it does not justify itself in that way, it stands condemned. Undoubtedly it begins by putting a charge on a large number of people which they would be happier without. Unless it leads on to an increase in the national dividend, that charge is not justified; and the only way that you can be sure that it will lead on to such an increase in the national dividend is if you confine your protection to such industries as really are capable of being firmly established in India and eventually standing on their own foundations without extraneous assistance, able to compete in all circumstances without special assistance from Government.

There is another point which I would like to touch upon before I sit down. The industrial development of India depends on a parallel development in other fields, and in particular on the financial side. The Honourable Pandit Madan Mohan Malaviya waxed eloquent about the dangers of the importation of foreign capital, but how are you going to develop industry in India without capital? If you want to avoid the dangers of foreign capital, I suggest that the way is to do everything in your power to increase the creation of new capital in India. New capital can only be the result of present savings: it is the accumulated result of past savings. So that side by side with the introduction of protection it is the duty of all those who are interested in India's industrial progress to watch over the creation of new capital in India by development of all the means in their power which have that purpose in view, such as agricultural co-operation, co-operative banks, and banking generally. The banking facilities of India to-day are not adequate for industrial development on the scale involved in a concern like the Tata Iron

and Steel Company. They must be increased. I would also like to touch on one other weakness as it seems to me of the Indian financial system at present. I have been very much struck, last year in particular when the Alliance Bank question came up, with the enormous dangers which Indian methods of finance involve when anything like a panic is anticipated. A run on the banks is a natural result of a period of banking trouble. That is a difficulty that has to be faced but can be dealt with. But in India almost every industrial concern is conducting a sort of banking business. It has got sometimes the whole, sometimes a considerable part, of its working capital simply in the form of deposits from private individuals. In many cases industrial concerns have gone further and have a considerable proportion of the capital which they have locked up in bricks, mortar and plant simply lent to them on deposit. They are liable to have it withdrawn any moment there is trouble. That is bad both for Indian industries and for Indian banking. An industrial concern is carrying on a banking business which the bank ought to be doing and is carrying it on without special experience or indeed the possibility of those safeguards which are necessary to be imposed when you are laying out money that is borrowed on short term. Obviously capital required for bricks and mortar ought to be raised in some permanent form, and working capital ought not to be liable to be withdrawn at any moment. An increase is required in the amount of industrial preference and debenture issues, in this country and a market is required for those industrial issues. It is said there is no market, but I am not sure that that is not partly because good industrial debentures and good industrial preference shares are not created as largely as they ought to be owing to the prevalence of this system of lending money on deposit. I do not think these matters are entirely irrelevant to a general consideration of the point which we have under consideration. We are taking a very serious step. We are taking a step to put into force a decision that Indian industries should be given that protection which is necessary to enable them to stand on their own feet. That involves an effort to create in India an industrial system which does not at present exist or which is only in embryo. We cannot usefully regard protection as an end in itself. Protection is one of the many means for creating that many-sided India which we have in view, and therefore in commending this Bill to the Assembly I would like to add to it this request that all those who are interested in the furtherance of Indian industry should turn their minds at the same time to the other directions in which progress is required, progress in banking, progress in education, specially technical education, and the other directions which are necessary to create the men who are to take part in creating the industry which this Bill is destined to establish firmly on its feet. As regards the motion to refer this Bill to a Select Committee the Government were and are still of opinion that it might more usefully be discussed in the House, but if the wish of the House is that they should delegate the main part of the discussion to a Select Committee, the Government do not wish to oppose the motion.

Mr. Chaman Lal : The Honourable Mr. Jinnah, speaking on the motion and referring probably to my amendment to the Bill before the House, namely, nationalisation, considered that that scheme would be in consonance with the principles of Karl Marx or those enunciated by the Bolsheviks in Russia ; but unfortunately he did not give me a reply to my interruption. If

nationalisation is to be considered equivalent to Bolshevism, then the Government of India must indeed be a Bolshevik Government. Sir, I am really surprised at the nauseating atmosphere of self-congratulation in which we have been living throughout the whole day to-day. It seems to me that the gentlemen who represent the capitalists of India are thumping each other on the back at having produced a baby and they are congratulating themselves on the fact that this baby would probably have many successors and they are pleased with the idea that now the Government of India are hugging the Independent Party and some of the Swarajists are hugging each other and congratulating each other for having come upon a common platform, the platform of exploiting the common people of India. I will first take up the Report of the Indian Tariff Board and I will merely say by way of introduction that the whole country owes a great debt of gratitude to the firm of Tata's for having established the steel industry in India. They have done pioneer work in this country and they deserve the congratulations of every man interested in the welfare of his country; but that is not what I should say of the Report itself. The Report itself can best be described as a "Hush hush" report or better still a report which is directly in the interests of the capitalists as against the people of India. You have merely to refer to page 35 to realise the real meaning of the gentlemen who framed this report. You will find there that they recommend that after the introduction of protective duties, in the case of a drop in the price of steel the benefit to the tax-payer of a reduction in the duties is to await the decision of the Legislature. But the Executive, because the Executive moves swiftly and the Legislature does not, is empowered to increase the duties whenever prices are at a level which demands more protection for the industry. That is to say when profits are to be paid to the capitalists or the steel owners then it must be done by Executive order immediately and no delay should be indulged in, but if, on the other hand, any reduction is to be given to the tax-payer or to the consumer, then we must wait until such time as the Legislature is enabled to move in the matter. That is the spirit in which the Tariff Report has given its findings. You find further that the gentlemen who gave this report are not sure even as to the working cost of the materials they have been discussing. They say on page 20 that they find that costs could not be lower; at the same time they say that the present type of machinery which the Tata Company have got at Jamshedpur is certainly expensive and they do not seem to me to be very certain whether costs could be reduced or not under the circumstances. They go further and make a very serious charge against Tata's. I do not know if that charge is justified or not. But if it is justified then an explanation is certainly necessary. The charge is that they could not believe Tata's when they were discussing the total amount of capital involved in this industry and that they had to fall back upon independent sources of information with regard to that particular matter. That is the spirit in which the Committee has reported. They have dismissed the question of the principle of protection as having nothing whatever to do with their inquiry. They mention that merely in passing. But that is a subject which vitally concerns the people of India—whether you should or should not have protection. The Honourable Mr. Jinnah said that for years we have been fighting to bring in a system of protection. Does he mean that the people of India have been fighting or have the representatives of the capitalists and the manufacturers of India been fighting? And when they ask for protection and

you give it to them, you do not protect the workers, you do not protect the tax-payer, you do not protect the consumer : you are merely protecting those people who draw fat dividends year in and year out. What is the principle of protection ? Is it something which is going to raise the cost of the necessities of life ? That is what Mr. Willson has pointed out, and I am glad to find myself in agreement with him for once, though I know perfectly well that he did add many a fatuous remark to that statement. Under protection you will surely find that each industry in India will have to pay more, you will find that when you go to set up a house you will have to pay more for it, when you build a road you will have to pay more for it, when you build a bridge you will have to pay more for it. And who are the people who are going to pay ? Not the capitalists, not the manufacturers, but the common people of India. It is not they who have been demanding protection—not the common people of India but the capitalists and the manufacturers. Sir, you find in the report that Tata's possess great advantages. And what are the advantages which they possess ? The Tariff Report has enumerated them. You find according to the report itself that iron ore can be obtained at the cheapest rates in the world in India ; you find that coal is being obtained by Tata's and by all the steel manufacturers at the cheapest rates in the world ; you find that as regards transport whereas an American Company in Pennsylvania has to bring its iron ore a thousand miles, Tata's can get their iron ore within a distance of a hundred miles. You find further, Sir, that the pig-iron they are producing can compete most favourably with the pig-iron produced by any other country in the world. In fact, they are exporting pig-iron according to the latest report even to Great Britain. You further find that all the other raw materials can be obtained at a cheaper rate, and, what is worse still that wages are cheaper in India than in any other part of the world. Yet with all these tremendous advantages with all the cheap raw material and labour they can, and do get, they are demanding protection because they find they cannot compete with foreign industry. Why is it that they cannot compete with it ? (*A voice* : " Because Indian Labour is inefficient "). What is the reason the Tariff Report gives ? They say it is not because labour is inefficient. The Honourable gentleman who interrupts me has not read the Report. He will find, if he reads the Report that they say that the working charges are heavier, that the cost in the higher processes is much more than it ought to be. That is the sole reason. But it is not the fault of the tax-payer : it is not the fault of the consumer that the charges of the higher processes are heavier than elsewhere. It is the fault of the management ; it is the fault of the technical advisers and not of the poor people of India. And it is because of the faults committed by the technical advisers of these companies that the tax-payer is called upon now to pay and to make good the losses that they have suffered. And what losses ? Are they really losses ? Does any Honourable Member here know exactly what the position is according to the latest number of "*Capital*" that I possess ? The paid-up capital is 2½ crores ; reserve nearly 4½ crores ; I believe debentures are nearly 4½ crores also ; the block account is 19 crores. The total profits from 1916 to 1922 on a particular class of shares were 96½ per cent. The total profits on another class of shares between 1916 and 1921 were 1,200 per cent. That is to say, the shareholders who put their money into Tata's have had their money back one hundred per cent. in one case and twelve hundred per cent. in another case. Such are the " losses."

Sir, our proposition is a very simple one. What we are demanding is that, if you are taxing the tax-payer and asking him to come out with his money, if you are going to burden the consumer, you must give them something that is equivalent to their sacrifice. You are demanding a sacrifice from those people, what are you giving them in return? You are merely talking glibly and patting each other on the back that you will now have an opportunity for earning or rather continuing to earn fat dividends year in and year out. But Sir, the tax-payer and the consumer would like to know what compensation you are going to give to them. We stand here not for the classes but for the masses. What is it you are going to give to the masses, the consumers and the tax-payers? Our suggestion is a simple one. If you nationalise an industry the profits from it *must* come back to the consumer. That is not a Bolshevik doctrine. It is the first time in my life that I have heard that such a proposition is a Bolshevik doctrine. Whatever Bolshevism may mean it certainly does not mean that. Sir, I am convinced that the speech that Sir Basil Blackett has delivered is a very fine speech, and excellent speech, a speech that anybody should be proud of, a frank speech. But Sir, he failed to come to the right conclusion. The right conclusion is not protection. But if you must have protection, let it be protection with nationalization. He talked about labour. I know something about labour. It was I who was responsible for the settlement of the last strike at Jamshedpur. I say it with great regret, there may have been mistakes on both sides, but that strike settlement was not carried out. Are we to protect those workers or not, or are we merely the gramophones of the capitalists, the hirelings of the capitalists, voicing their wishes, voicing their needs, voicing their desires? I do not know whether the estimates of the Tariff Board are correct of the actual burden upon the consumer and the tax-payer but the burden both direct and indirect is enormous. By imposing a protective duty on steel you are giving practically a present to every capitalists in India who owns a factory. Every capitalist who comes after him will have to pay so much more for setting up his factory. On the other hand you are imposing an indirect burden on every human being in India. You can only judge of the burden by the estimates which economists have made of the average income of the poor in India of one anna per head per day. All that you can do is to imagine what would be the effect supposing you burden these people by no more than one anna by imposing a direct tax. You are robbing them of one solid day's food and sustenance. I say nothing of the heavier burden indirectly imposed upon the masses. That burden is so widely diffused that it is impossible to calculate its actual incidence in figures but that its effects will be terrible no one can doubt. Is that a desirable thing to do you who call yourselves the representatives of the people? I say it is not. I say it is a dishonest thing if you are not prepared to stand by the average common man who elected you. Sir, it is a very strange thing indeed that under a free-trade Viceroy, that under a Government probably composed of many a free-trader we should be presented with a policy of protection. I know that when we claim protection for the average worker we do not get it. But when the average capitalist calls for protection reports are expedited, special sessions are held, Bills are introduced and passed, because the Government are mere instruments in the hands of the capitalists. When we did demand protection for the worker, for the labourer, and asked for a Workmen's Compensation Act we got a

watered down Act whose operation when it was passed was postponed for a year. No special session was held in order to pass the Workmen's Compensation Act. There was no undue haste in coming to the rescue of the starved and driven workers of this country. But your haste is indecent when you are out to protect the capitalist. Indeed you are protecting capital and the dividends of shareholders but not the lives of the people, and you will go down to history as the protectors of the rich, and the oppressors of the poor.

Mr. V. J. Patel : I rise merely to seek information on one or two points from the Honourable the Member for Commerce. I understand that the requirements as regards rails in India are mostly met from Britain. The bulk of the import of rails is from Britain. If that is so it is significant why in the list of increased tariff rates it is not proposed to levy additional tariff on the import of rails. That is a question on which I seek information. My information is that the Tata Company is under a contract with some railway companies and also the Railway Board for the supply of rails, and therefore I understand any levy of additional tariff on the import of rails from Britain is regarded as unnecessary. With regard to this I should like to know from the Honourable the Commerce Member whether the grant of bounties alone without the imposition of an additional tariff on the import of rails will meet the requirements of the situation. It is proposed to give in the first year Rs. 32 per ton of rails manufactured at Jamshedpur by way of bounty. Now the average rate at which the Tata Company is bound to supply rails is, I understand, about Rs. 122 per ton. If that is so, then a bounty of Rs. 32 would bring Rs. 154 per ton to Tata's. How then is this protection to help this dying industry to survive when you say that the fair selling price is Rs. 180 ? On this point I should like to have information from the Commerce Member.

Another point which I should like to urge upon the attention of this Assembly is this. Supposing we go on for a couple of years giving bounty in respect of rails, then the unlimited supply of rails from Britain will continue in the absence of protective duties. The dumping will be there and the object of protection will be frustrated. Your contention is that it is unnecessary to put protective duties since Tata's are under contract to sell at a particular rate and bounties will suffice to keep them going. In that case I am afraid the result will be that you will allow large quantities of rails to be dumped into this country in a couple of year's time. At the end of that period these people will undersell Tata's. At the end of three years you will see huge quantities of rails already dumped into this country with the result that the Tata Company would not be able to compete. That is one point.

The second point to which I should like to invite the attention of Sir Charles Innes is this. The import price of heavy structural material of British manufacture is, I understand, Rs. 145 according to the Tariff report. As regards such material of Belgium and other countries the import price is Rs. 110. If that is so, how is the tariff of Rs. 30 per ton going to give 180 to Tata's ? That is what I do not understand. As against Belgium Tata's would not stand competition at all. The position is hopeless. Even with regard to the British structural material it may not be possible for Tata's to compete because, taking Rs. 145 which is the present import price, and adding Rs. 30 as the proposed duty, the British manufacturers will be able to

sell at Rs. 175, while the fair selling price, according to the Report, is Rs. 180. But the Tariff Board says that this will be compensated for by the fact that in respect of rails Tata's will get Rs. 187. I do not know where but it is stated at some place in the Report that Tata's will be able to recover 187 in respect of rails, and this will be a sufficient recompense for the loss on structural material. As I have pointed out to you, Sir, so far as rails are concerned, it will not be possible to get more than 154, 122 *plus* 32 bounty. And I cannot understand how the Report says that Tata's will be able to get 187. It might be said that Tata's will have more rails, that they will manufacture more rails than they are under a contract to supply at fixed prices, and in that way they will be able to sell the remaining rails at 187. But, if you look at the Report of the Tariff Board, you will find that Tata's in the year 1924-25 are estimated to manufacture only 87,000 tons of rails, and they are under a contract in this very year to deliver to some railway company 93,000 tons of rails. That being so the bounties provided are inadequate. These are points which lead me to believe that the protection which this Bill proposes to give to the Jamshedpur Tata Company is absolutely inadequate, it is hopeless. The Tata Company will hardly be able to survive with such halting protection. Why then put this burden on the consumer? I fully agree with my friend Pandit Madan Mohan Malaviya that the Government of India are not yet whole-hearted in the policy of protection of Indian industries. Having raised these two definite questions on which I seek information I now turn to other questions.

When I was listening to my friend Mr. Joshi I was wondering what could be done to settle these disputes and differences between Tata's and their workers—whether it was not possible to introduce some clause into this Bill by which the rights of the workmen could be protected: and if it was not possible to do so, whether it was not right and proper to oppose this Bill altogether. If the protection of course is adequate, which I believe it is not, I was thinking to myself what reply my friend Mr. Joshi would give if he were asked whether he would oppose protection altogether and allow the Tata industry to die, and along with that also all the workers to starve if it is not possible to introduce a clause for the protection of the rights of workers. If he were faced with that alternative, if my friend Diwan Chaman Lal were faced with that alternative, what would be their answer?

Mr. N. M. Joshi : May I interrupt the Honourable Member to say that it is not the only alternative. The Assembly may lay down the condition that Tata's Steel Company should remove all grievances.

Mr. V. J. Patel : Quite right, and I am entirely at one with my friend Mr. Joshi and also with my friend Diwan Chaman Lal that we should find out some way to introduce a clause in this Bill requiring the Tata Co. to recognize the Labour Association and to agree to the appointment of a Conciliation Board elected by the employers and the workers in definite proportions. I should like that very much and I should go further and say that I would introduce a further clause in the Bill saying that this Bill or Act shall come into force on and from the date on which the Tata Co. agrees by a Resolution at a shareholders' meeting to be specially convened for the purpose that the Labour Association at Jamshedpur shall be recognised forthwith, and that a

Conciliation Board shall be appointed consisting of members to be elected by the workers and by the employers for the settlement of all disputes. I should like that to be done. But if for any reasons it is not done, if it is not possible to do so, if the Government does not agree to that—and after all we know very well that unless the Government and the Legislature agree there is absolutely no hope for us what then? The whole Bill is based on that assumption that the Government and the Legislature agree. If we do not agree on anything then the Bill goes, no protection is afforded to Tata's. That being the position, the question arises to which I want an answer from my friend Diwan Chaman Lal and from my friend Mr. Joshi, what are we to do? Are we going to allow the Tata Co. to go to rack and ruin and are we going to allow all these workers to starve? I would appeal to every Member of this Assembly to try his best in the first place to see that adequate provision and adequate safeguards are laid down in this Bill for the protection of workers. But if that is not done, if the Government do not agree, what are we going to do? That is the question to which I want an answer. I think that if one-tenth of what my friend Mr. Joshi has said about the grievances of these workers is true, it ought to make the blood of every self-respecting man boil. But what is to be done? Where is the remedy? It is the Government who are hard-hearted. They will not agree to insert any clause for the protection of workers. You must have noticed that some of us have tabled a number of amendments on this question. On the question of nationalization.....

Mr. Chaman Lal : On a point of order may I remind the Honourable Mr. Patel that in my opinion if the Government can swallow a camel they can.....

Mr. President : That is not a point of order.

Mr. V. J. Patel : On the question of nationalization I could not quite understand my friend Diwan Chaman Lal. I could not understand, though I am not deaf, perhaps it is because I am rather far away, whether he is for protection or not. I understood him to say that if this industry was nationalized then he was for protection. That was what I understood. That means Diwan Chaman Lal is not a free trader. (*Mr. N. M. Joshi :* "Nationalization is itself the protection.") Unless you have these tariff walls after nationalization of these industries you will not be able to run them, because you are merely stepping into the shoes of the Tata Company of to-day, and if to-day you cannot keep the Tata Company alive without protection you will not be able to keep the industry going after nationalization without such protection. So I take it that no one in this Assembly is opposed to protection as such. What we want is that, when in giving protection we throw an enormous burden on the consumer, it is only right that we, who represent the consumers and not the manufacturers only in this Assembly, should expect some return and that return can take one of two forms. One is nationalization, and my views on the question of nationalization are well known. My friend Dr. Gour says that Diwan Chaman Lal is not serious in the proposal he makes. I do not know what ground my friend Dr. Gour has got to make that statement. He raises the difficulty and asks where the money is to come from. I do not understand this plea at all. If Government want money, they do not want to consult Dr. Gour or any other Member of the Assembly.

The Secretary of State has got the power to raise any loan without consulting any single Indian. Government have got that power. But apart from that, I know, though, Tata's would not be pleased about this suggestion of nationalization, I am absolutely certain that most of the shareholders would be only too glad to have this industry nationalized. You are not required to find money at present. You do not want to pay shareholders off at once. Those shareholders will be only too glad if Government will give them the value, to-day's value in the form of Government paper. There is no difficulty about that. You need not raise a loan. So many shareholders will be too glad to have the industry nationalized on these terms I know. Tatas' stand to lose lakhs and lakhs of commission.

Mr. N. M. Dumasia : What about foreign debenture holders ?

Mr. V. J. Patel : I am absolutely certain.....

Mr. President : The Honourable Member had better address the Chair and take no notice of the interruptions.

Mr. V. J. Patel : Thank you, Sir. I would strongly recommend to the Select Committee that this is a question which ought to be considered. Any Government that claims to be in the slightest degree responsive to public opinion ought to consider this question. The Tariff Board and the Fiscal Commission have stated that this industry is of special military value. It is necessary for the defence of this country ; we have been told by Mr. Willson how the Tata Company helped the late war. That proves that this industry is essential for the national defence of this country. If that is so, in my humble opinion—and I am glad I have friends here who share my view—I think this is the most opportune time for any national Government to take over this concern and run it as a national concern, and impose not these half-hearted duties but give real and substantial protection. Have a tariff wall. We do not want British rails to be dumped into India. What is the idea ? There is no meaning in it. Competition must not remain. The Tata Company is going to produce, as you say, any amount of rails. Why allow British rails to come all the way at the cost of the Indian tax-payer ? Whatever profits you may after nationalization make will go to relieve the tax-payer. It is at the taxpayers' cost that you allow foreign dumping here and do not allow our industries to prosper. So, in my opinion, this is the most opportune moment when Government should think seriously of nationalizing the Tata concern. If they are not prepared to do that, then there is the second alternative which I have proposed by way of amendment. And what is that alternative ? You do not surely want that the company should go on after 5 or 10 years making fabulous profits and giving fat dividends to its shareholders and the agents getting lakhs and lakhs of rupees by way of commission. That is not your idea in giving protection. I hope not. If that is not so and if you are going to allow this at the cost of the consumer, may I venture to suggest that the Tata Company should be asked to agree that any profit over and above 5 per cent. on the capital should go to the State to relieve the tax-payer. What is the difficulty ? I cannot understand. It may be that the Tata Company for some years may not make money, but a time will come when they will. Once you raise a tariff wall, foreign capital will pour in. I know it is impossible to check the advent of foreign capital.

Once you pass this Bill you will have companies started with crores of foreign capital. You cannot prevent it. I know my friend Pandit Madan Mohan Malaviya is opposed to it, and very rightly opposed to it, but it is impossible to prevent it. I entirely agree that this is a standing invitation, that this Bill is a standing invitation, to foreign capitalists to come and start companies with a big capital here. I know it; I know the consequences, but there it is. The remedy is not merely to talk about it. What can we do? I am absolutely certain that so long as the Government is a foreign Government, it is impossible to persuade this Government to accept any amendment which would prevent foreign capitalists investing their capital here. If we had a national Government, then the view of my friend Pandit Madan Mohan Malaviya could be at once translated into action by a clause in the Bill itself that no foreign capitalist shall start any company here. That is the whole point. But we know our limitations; we know that unless we and you agree, it is hopeless. That is, Sir, my view about the second proposal that I have put forward, and I believe those who will have the honour or dishonour to serve on the Select Committee will take these proposals into consideration. If the Government really mean protection to the company, leaving aside the question of nationalization and of profit sharing, if the Government really mean to give real protection to the Tata Company, let them come out with better proposals; let them instruct all the departments under them as well as under the Provincial Governments, let them instruct all the Railway Companies, let them instruct all the local bodies, let them instruct the improvement Trusts, let them instruct the Port Trusts and let them instruct the Development Departments, to buy all the steel that is manufactured at Jamshedpur. Can you not introduce that provision in this Bill? I think you can; there is no difficulty if Government agree. Otherwise, here is the Chairman sitting to rule you out. But if Government agree, he can be outvoted. His ruling would then be no good, because once we agree, we can leave him aside and there will be no difficulty about it. Are you serious in this business? If you are, let us sit in Select Committee, discuss these matters and let us agree to some reasonable amendments to the Tariff Bill. As it is, in my opinion, this Tariff Bill is a hopeless thing. It would not give protection to the Tata Company: it would not keep that industry alive. You will waste so many crores of rupees and you will put the consumer to loss and ultimately the whole thing will end in a fiasco.

Mr. M. A. Jinnah : I move that the question be now put.

(Several Honourable Members moved that the question be put.)

Mr. V. J. Patel : I have not finished, Sir.

There is one more point to which I invite the special attention of Sir Charles Innes, and it is this. Whatever may be the form your Bill may ultimately take, I want you to examine the case of the Bombay Municipality. (Laughter.) I will give my reasons. The reasons are these. We wanted to lay a water line for 106 miles. In 1921 we asked for tenders.

The Honourable Sir Charles Innes : Is this the stage, Sir, at which the details of the amendments by Honourable Members should be explained and discussed? I thought at this stage we were discussing the principles of the Bill.

Mr. President : This amendment can be discussed in the Select Committee.

Mr. V. J. Patel : I think we have been discussing all these amendments all this time. However, I will instruct some one on the Select Committee to put my case.

Maulvi Abul Kasem : I move that the question be now put.

The Honourable Sir Charles Innes : Sir, I will reply very briefly to this debate, for I must confess that in all the speeches that have been made I have not found very many serious criticisms of my Bill. As regards the Bill itself, perhaps attention has been mostly centred on the Preamble. Several Members suggested that the Preamble did not bring out clearly enough the element of continuity in the Bill and they pointed out that the Bill, as it is drafted now, would not give attraction to new capital to come into the industry, which is one of the whole objects of this scheme of protection. If the Preamble is not sufficiently clearly drafted, that is a very small matter which can be attended to in the Select Committee. As I explained quite clearly in my speech, our intention was in the Preamble to bring out clearly the fact that the Government of India have adopted with the approval of their Legislature a policy of protecting the steel industry. It is perfectly true that, for special reasons which I also explained in my opening speech and which have been explained very fully in the Tariff Board Report, the actual duties that we propose in the application of that policy can be guaranteed only for three years. But it was our intention to make it quite clear in the Preamble of the Bill that our policy was a continuous one. As I said, that is a point which can easily be dealt with in the Select Committee.

I next come to Dr. Gour on locomotives. At this late hour of the evening I do not propose to follow the Honourable Member into his very interesting and also, I may say, entirely inaccurate account of the locomotive question. I must confess I was rather astonished at the Honourable Member's audacity because the true facts are stated in the report of the Tariff Board. The Tariff Board themselves do not recommend either bounties or assistance by protective duties in favour of locomotives for reasons which they have fully explained, and I am afraid that I cannot hold out to the Honourable Member any hopes that in the Select Committee I shall be able to agree to any sort of protection for locomotives.

Mr. Chaman Lal, I must say, disappointed me. He made a sort of speech that we are accustomed to get from Mr. Chaman Lal. His was a most excellent speech and the sort of speech that we hear so frequently in Hyde Park at Home. Mr. Chaman Lal made no bones about giving a very misleading account of certain statements in the Tariff Board Report. Just let me mention one. He made a statement that the reason why the Tata Iron and Steel Company required protection at this time was entirely due to inefficient works management at Jamshedpur. Well, Sir, that may be Mr. Chaman Lal's own opinion. But his opinion is entirely at variance with what the Tariff Board themselves say in more than one part of their Report. They expressly say that they have no reason to suppose that the works at Jamshedpur had been raised to an unjustifiable level by an inefficient technical management. On a matter of that kind, Sir, I prefer to follow the opinion of the Tariff Board.

rather than the opinion of Mr. Chaman Lal. When I heard Mr. Chaman Lal speak I thought he was going to speak in favour of free trade and to argue with the greatest force against protection. Instead of that he maintained that the need for protection in this case had arisen from the failure of the management at Jamshedpur and he went on to say that the only remedy was that the Government should take over the works. Well, Sir, I must say that I thank Mr. Chaman Lal, as also Mr. Joshi, as also Mr. Patel, for their unsolicited testimonial to the efficiency of Government.

My Honourable friend Sir Bhupendra Nath Mitra will have to run these works. I saw him blushing when Mr. Chaman Lal made those remarks, but, Sir, in all humility I must disclaim any ability on the part of Government to run a steel works. Mr. Patel was indeed an optimist when he said that he hoped that in Select Committee he would get me to agree to a policy of nationalising industries.

Mr. Chaman Lal : I am very loath to interrupt the Honourable Member but may I just point out.

Mr. President : Are you raising a point of order ?

Mr. Chaman Lal : Yes, Sir. The point of order is that a certain statement has been made by the Honourable Member to the effect that my statement was inaccurate.

Mr. President : That is no point of order.

Mr. Chaman Lal : Then I want to speak on a matter of personal explanation.

Mr. President : It is neither a matter of personal explanation.

The Honourable Sir Charles Innes : I pass on to my friend Mr. Joshi. Mr. Joshi made many complaints about the conditions of labour at Jamshedpur. Among other things he made a charge against the company for their having refused to recognise the Labour Union at Jamshedpur and for even refusing to acknowledge their letters. A short time ago, Sir, I was much amused by seeing in a Calcutta paper a complaint against no less a person than the Secretary of the Trades Union Congress in India, our friend Mr. Chaman Lal. The complaint was that he had not even the courtesy to answer letters. (Laughter.) Before I follow Mr. Joshi into all the interesting suggestions which he made, I should like to refer to his suggestion that we should make in the Bill about the recognition of Unions and the setting up of conciliation boards. I should like, Sir, myself to know more about this Union, to know exactly how many members it contains and what right it has to represent labour.

Then I pass on to Mr. Ranga Iyer. Mr. Ranga Iyer made an extremely eloquent speech. The only trouble I had when I heard him was that I could not help wondering why he made that speech this evening. If he had made that speech on, say, a motion for not accepting the policy of fiscal autonomy I could well understand it. His speech seemed to me to be entirely irrelevant to the present occasion.

The Honourable Member indulged in a long history of wrongs that India has suffered at the hands of free trade policy, and my Honourable friend on

the right suggests that it is a wrong history too. I could not help feeling, if the Honourable Member will pardon my saying so, that his speech was the sort of speech he has made at political meetings at least three times a year for several years past. Mr. Patel asked me some conundrums. He wanted to know what the Tariff Board meant by proposing a bounty of Rs. 32 per ton on rails. He pointed out that Rs. 32 per ton, added on to Messrs. Tata's contract price for rails, would bring the price up to Rs. 180. He wanted to know what the good of that was. He asked me another conundrum about structural steel. I do not know what his source of information is. He said that Belgium structural steel was now coming in at Rs. 110 a ton, and he asked how Messrs. Tata were going to live in the face of that competition. He had a suspicion in his mind that Government was not wholehearted in bringing in this Bill; that they really did not believe in protection at all. I do not know what we can do in a matter of this kind. We adopted last year a policy of discriminating protection. We appointed a Tariff Board. Two of the Members were the Honourable Member's own countrymen. That Board has submitted a unanimous report and in that report they made certain concrete suggestions to Government. Government have accepted those suggestions absolutely as they stand. What is the only result so far as my Honourable friend Mr. Patel, is concerned? The only result is that he takes a microscope and tries to find some reasons why he should suspect the motives of Government. He wants an answer to his question about rails. I gave it to him this morning. It is stated in black and white in the Tariff Board's Report. There it is stated that the Tariff Board will not acquiesce in the vicious principle that the tax-payer should be called upon to remedy the mistakes made by the Company itself. As regards his question about structural steel, the answer to that is that British engineering standard steel always commands a higher price than steel that is sold without any guarantee of quality. Tata's steel is usually made to a specification. It competes with British engineering standard steel rather than with Continental steel, and the Tariff Board recommend a composite price. In arriving at that price they made full allowance for the fact that Continental steel was sold without any guarantee, and that it does come in at a lower price than British engineering standard steel.

I do not propose to follow the Honourable Member into the extremely interesting speculations as to what is really the right course we ought to take in this matter. He will forgive me for saying so, but his economics seem to be a bit shaky. Indeed, when I heard him develop his theme, I could see Dr. Hyder almost wilting under the influence of the Honourable Member's statements. I am afraid that the Honourable Member must be very much of an optimist if he thinks that I can agree or that the Government can agree to his particular nostrums to deal with the problem before us.

I should like to say before I sit down that the Government have come before the Assembly with a clear, comprehensive scheme of protection. That scheme, as I have said, was elaborated by an impartial Board which consisted of two Indians and one European. After several month's inquiry it has prepared a scheme to deal with one particular problem, and that is the problem of the steel industry. We are perfectly satisfied that if that scheme is carried out, as submitted to the House, it will suffice to tide the existing steel industry

over the difficult period that lies ahead of it. It will not enable that industry to pay large dividends; we do not claim that at all; but we do claim that this scheme will enable the industry to tide over this period. Now, judging from the debate that we have had to-day, I do not think there is very much between that side of the House and this. I think that almost all of us in this House are agreed that we must make an effort to save the existing industry. What I fear is that everybody in the House who has got his own particular ideas or nostrums will try to graft them on to this Bill; but I do hope that Honourable Members will refrain from that. I do hope that they will refrain from confusing or obscuring the issue before the House. After all, that issue is a very simple one. The issue is, does this House wish to preserve the existing steel industry in India? I do hope that no attempts will be made to insert conditions in the Bill about nationalisation, about conditions of labour, about foreign capital, or anything like that. Do not let us bring into our discussion all these side issues.

I quote here from the letter that I have just received from the Bengal Chamber of Commerce. It says—and I particularly commend their remarks to Sir Purshotamdas Thakurdas:

“It will be nothing short of a national calamity if disaster should now overtake so great an enterprise. Many crores of rupees have been sunk in it and it employs a very large number of men. It cannot be regarded as being other than a national institution. It proved its value to India during the war. Its importance from the point of view of a national demand is obvious. It has a strong claim on the State for assistance.”

There has been a difference of opinion in this House as to what form that assistance should take. Some may think we have gone too far. Others like Mr. Patel think that we have not gone far enough; but I hope that the House will recognise that we have offered a reasonable scheme which will suffice for the purpose we have in view. I know that there are big differences of opinion on many subjects between that side of the House and this, but I do hope that on this question the Government of India and their legislators will present a united front to the world.

Mr. President: The question is:

“That the Select Committee consist of the following:

The Honourable Sir Charles Innes, the Honourable Sir Basil Blackett, Pandit Motilal Nehru, Mr. W. S. J. Wilson, Pandit Madan Mohan Malaviya, Mr. V. J. Patel, Mr. Bipin Chandra Pal, Dwar Bahadur M. Ramachandra Rao, Mr. E. J. Fleming, Mr. M. A. Jinnah, Mr. Piyare Lal, Maulvi Muhammad Yakub, Dr. H. S. Gour, Mr. A. Ragnaswami Iyengar, Mr. K. G. Lohokare, Mr. Jamundas M. Mehta, Mr. Chaman Lal, Mr. N. M. Joshi, Mr. K. C. Neogy, Mr. Devaki Prasad Sinha, Dr. S. K. Datta, and that the Select Committee be instructed to report on or before the 30th May and that the number of Members whose presence shall be necessary to constitute a meeting of the Committee shall be nine.”

The motion was adopted.

30th May 1924.

THE STEEL INDUSTRY (PROTECTION) BILL.

PRESENTATION OF THE REPORT OF THE SELECT COMMITTEE.

The Honourable Sir Charles Innes (Commerce Member): I beg to present the Report of the Select Committee on the Bill to provide for the fostering

and development of the steel industry in British India. I should like to say a word about this Report. In the Select Committee it was decided to drop the enhancement of the duty on tin-plates. I wish to make it clear that the Government, though they do not say so in the Report, reserve the right of moving an amendment to restore the enhanced duty after the question is decided by the House. I say we merely preserve the right and we will decide on the point later. I regret that, as the Report was only signed about an hour ago, it has not been possible for the Legislative Department to circulate it to Honourable Members. In that case it is impossible for me at once to propose that the House should proceed to consideration. I suggest that it might be for the convenience of the House if we put down the motion for consideration on Monday next. Though the Report is a long one, its length lies mainly in minutes of dissent which relate to subjects which, in my view, are hardly germane to the purpose of this Bill. The outstanding fact is that, after a very careful consideration in the Select Committee, the Bill has emerged from the Select Committee practically in the same form in which it went to the Select Committee. We have only clarified the preamble and certain other parts of the Bill. We have remitted the enhanced duty on tin-plates. I think these are the only important amendments in the Bill. That being so, I think, subject to what you may say and the House may say, it will be quite reasonable to proceed with the consideration of the Bill on Monday. But as I say, that is a matter on which the Government are quite willing to be guided by the sense of the House.

Mr. President : You formally move that the Report of the Select Committee be taken into consideration ?

The Honourable Sir Charles Innes : I am quite prepared to do so if it is your desire.

Mr. President : You had better do so and then the House can adjourn to such date as the House thinks convenient.

The Honourable Sir Charles Innes : In that case I beg to move that the Report of the Select Committee on the Bill to provide for the fostering and development of the steel industry in British India be taken into consideration.

Dr. H. S. Gour : (Central Provinces Hindi Divisions : Non-Muhammadan) : I move that the discussion be adjourned till Monday next.

Mr. President : The Bill will be put down on Monday's agenda and any Members who wish to give notices of amendments had better give notices to-day or to-morrow.

Dr. H. S. Gour : Will the Chair suspend the rule about two days' notice ?

Mr. President : If Honourable Members will send in their amendments by to-morrow, I will waive the two days' notice.

Mr. Harchandrai Vishindas : They cannot do so until they have copies of the amended Bill and the Report of the Select Committee.

The Honourable Sir Charles Innes : I hope that the Legislative Department will be able to circulate the Report probably by 1 o'clock to-day or certainly very early in the afternoon. May I just put in a plea as the

Member in charge of the Bill? I hope Honourable Members who are going to put in amendments will let me have them as soon as possible because I have to prepare myself to meet them.

Mr. C. Duraiswami Aiyangar (Madras ceded districts and Chittoor : Non-Muhammadian Rural) : Apart from the amendments which have been embodied in the Select Committee's Report there are amendments which now stand on the agenda. Is it necessary that we should send them back again by a further notice or do they stand good for the next discussion?

Mr. President : If the amendments which were sent in before the Bill went to the Select Committee are in such form as can fit into the Bill as it has emerged from the Select Committee, I will admit them, if otherwise in order.

Mr. V. J. Patel : I think, Sir, my amendment is short and sweet, and it will fully meet the requirements of the case. The object with which we have been labouring for three-quarters of an hour will be fully attained if these few words are inserted in clause 3 without disturbing the other clauses of the Bill. The amendment which I have the honour to move runs as follows :—

“ In clause 3, line 19, after the word ‘ shall ’ insert the following :

‘ On being satisfied that at least two-thirds of the capital invested in the business concerned is Indian. ’ ”

Now, Sir, my main quarrel with the Tariff Board is that they have in investigating into this question not taken into consideration the report and recommendations of the Fiscal Commission. When we say ‘ protection of industry ’ we mean protection of Indian industry and not protection of industry in British India. If you will look at the Preamble of this Bill, you will find it stated, Sir :

“ Whereas it is expedient, in pursuance of the policy of discriminating protection of industries in British India with due regard to the well being of the community.”

Now, what we really want is the protection of Indian industry and not protection of industry in British India. This Preamble is based on the recommendations of the Tariff Board and the Tariff Board have gone wrong inasmuch as they, in making their investigations, have started on a wrong basis. If they had before them the idea, the sole idea, of giving protection to indigenous industries, Indian industries, then they would have recommended the provision which I am now asking this Assembly to accept. The fears that we have, Sir—and I do not wish to make a secret of them—are that as soon as this Bill is passed companies with huge foreign capital will be started in this country, and those fears, as I will presently show, are not without foundation. I refer this House to page 16 of the Tariff Board's Report. In the last part of the first paragraph, they say :

“ We had it in evidence from Mr. Fairhurst that the Indian Iron and Steel Company would not under present conditions consider the question of embarking on the manufacture of steel unless protection were given.”

—what follows is very important and significant, and it is this—

“ and Mr. Tarlton, giving evidence on behalf of the United Steel Corporation of Asia, stated that without protection it would be impossible to raise the capital required for a fresh enterprise. Our deliberate opinion is that, without the help of protection, the steel industry is not likely to develop at all.”

So, the Tariff Board did not consider this question from the point of view of encouragement to the Indian steel industry, but from the point of view of encouraging the steel industry in India. I do not know who this gentleman Mr. Tarlton is, but evidently he represents the same United Steel Company to be started in India as soon as this Bill is passed into law, and I understand my Honourable friend Pandit Madan Mohan Malaviya made a reference to this particular company when he was making his speech on the Bill at its first reading. So, it is quite clear, Sir, from the Report of the Tariff Board themselves that they were considering the question of giving protection to the steel industry and they had in view this United Steel Corporation of Asia, which was about to be started and whose manager or officer clearly stated before that Committee that, unless protection was accorded, the capital was not likely to be subscribed. That being so, there is not the slightest doubt in my mind, and I submit that there should not be the slightest doubt in the mind of any Member of this Assembly, that, as soon as this Bill is passed into law, foreign capital will pour in, companies will be started and they will claim protection under the provisions of this Bill. Then again, it is not that the Governor General in Council can refuse to give a bounty to any such firm, because, the Bill clearly says that the Governor General in Council shall give bounties to companies, firms or persons manufacturing steel in India. This means that the Governor General in Council, even if they were so inclined, have no option but to give bounties to these firms. It is, therefore, necessary, Sir, that proper safeguards should be provided in this Bill itself, so that the special benefit that is to be conferred on companies, firms or persons manufacturing steel should be restricted to such businesses as are carried on with Indian capital at least to the extent of two-thirds. There are friends of mine who would, as recommended by the Fiscal Commission, like that there should also be a further provision that a certain proportion of the directorate must also be Indian. I should not have the slightest objection to the insertion of such a provision, but, as I say, it would disturb the fabric of the Bill and it will be very difficult to carry out that object unless you are prepared to introduce altogether a new provision in the Bill for that purpose. But when I seek to provide that at least two-thirds of the capital should be Indian, it necessarily implies that such a company shall have a board with an Indian majority, because if two-thirds of the capital is Indian, it goes without saying that the shareholders will ordinarily appoint a majority of Indians as their directors. But assuming for a moment that they do not (although I personally doubt it) do so, let them have a free choice. If they have confidence in non-Indian directors, by all means let them exercise their discretion. But the fact remains that once you make a provision that two-thirds of the capital should be Indian, the profits accruing out of the business will remain in India. That is the point; and the whole object of the Fiscal Commission, the whole object, I venture to submit, perhaps of the Tariff Board, and it may be perhaps of the Government of India will be carried out. It is with that object that I have ventured to move this amendment and I trust that the Honourable Members will support it.

Sir P. S. Sivaswamy Aiyer (Madras: Nominated Non-Official): Sir, I may preface my remarks by saying that I have very great sympathy with the objects of the gentlemen who have moved this amendment. But I am

afraid we have got into a regular tangle. I shall state the position shortly and point out what the difficulties are and what the proper method of attaining the object of these gentlemen is. Now, the object which all these Honourable Members have at heart is the prevention of enterprises started and carried on entirely with foreign capital behind the protective tariff wall, or behind the system of bounties that will be created by this Bill. So far as a tariff wall is concerned, I do not see how, by means of these amendments which you are proposing to clause 3 or clause 4, you could prevent any foreign companies from getting the benefit of them. Section 2, which relates to tariffs, will apply to all imports, and any company which may be engaged in the manufacture of steel in this country, whether it is foreign or indigenous, will derive the benefit of these tariffs. We are, however, now dealing only with clause 3, and I see that there is a similar amendment, of which notice has been given, with regard to clause 4. Now, what is the amendment which we propose to clause 3? The amendment is that these words shall be inserted:

"On being satisfied that at least two-thirds of the capital invested in the business concerned is Indian."

In the first place I would ask you—are we all agreed or certain that the proportion of capital to be held by Indians should be two-thirds or three-fourths, or half or a quarter? If you turn to the report of the Fiscal Commission, what you find is that they went into the subject exceedingly carefully and very elaborately, they did not commit themselves to any such definite proportion as you now want the Assembly to commit itself to. What the minority of the Fiscal Commission say in their Report is that foreign companies to be started in India should be started on the basis of a rupee capital, that they should have a certain proportion of Indian Directors, and that they should undertake the obligation of training Indian apprentices. Those were all the conditions that the minority suggested. The majority considered these questions, but they thought that it was only in cases where the State offered some concession in the shape of a bounty that it might be desirable to provide some such restrictions. With regard to the case of a protective tariff, the majority did not consider it would be wise to lay down any such restrictions. I am not now expressing any opinion as to whether the view of the majority was right or the view of the minority was right. I am prepared to take it that the minority, which was composed of nearly all the Indian Members of the Fiscal Commission, were right in their view. The minority of the Commissioners, which was composed of Indian gentlemen, all recommended only these three things, a rupee capital, a certain proportion of Indian Directors, and an obligation to train Indian apprentices. I am willing to go with you further. I am willing to agree with you that we may suggest that any company that may be started should place a certain proportion of its shares on the Indian market, so that they may be available to Indians and could be taken up by them. Let me assume all that. But what is the proportion? Are we quite settled that it should be two-thirds, or three-fourths? Why should it not be 50 per cent? Is there not, on the other hand, something more like perfection in the ratio of equality? It may be 50 per cent., it may be something less or more. I do not wish to dogmatise on that point. You wish to impose the condition that at least two-thirds of the capital invested in the business concerned is Indian. Well, at what point of time? Suppose

that at the date of the formation of the company two-thirds is Indian, would it be entitled to these benefits? Suppose afterwards those shares are transferred, would it be entitled under your proviso to the benefit of this clause or not? These are questions which have to be considered. There are a number of other conditions. The majority in their report referred to the possibility of circumvention by transfers and various other matters. All these things have to be carefully gone into and provided against.

These amendments and the difficulties which they create illustrate the extreme inconvenience of having to introduce amendments into a Bill which was prepared on a different assumption and a Bill the framers of which did not contemplate these particular subjects as suitable for inclusion. However, I shall not argue now that you are debarred from introducing any suitable amendments. The question which we have to put to ourselves is—is this the best way of achieving our object? The amendment does not touch even the fringe of the subject and the numerous difficulties which we have to surmount. You have to provide for a certain proportion of Directors; you have to provide for the obligation to train apprentices, and for many other things which the Commissioners recommend. You do nothing of the kind. On the other hand, the alternative amendment proposed by Mr. Patel has a greater appearance of suitability, and it is this:

“Provided that nothing in this section shall apply to any company, firm or other person who starts the business of manufacturing steel after the passing of this Act except to the extent and in the manner to be determined by a Resolution of the Legislative Assembly in that behalf.”

¹ In the first place, this proviso will apply.....

Mr. C. S. Ranga Iyer (Rohilkund and Kumaon Divisions: Non-Muhammadan Urban): On a point of order, Sir. Has that amendment been moved?

Mr. President: Order, order. Sir Sivaswamy is in order. He is developing his argument by referring to the other amendment.

Sir P. S. Sivaswamy Aiyer: It may be that it has not been moved Sir, but I am referring to it for the purpose of putting before you clearly what would be the most suitable method of achieving your object and whether this amendment which has now been moved is the best way. Now, take the alternative proviso to clause 3. It says:

“Nothing in this section shall apply to any company, firm or other person who starts the business of manufacturing steel after the passing of this Act except to the extent and in the manner to be determined by a Resolution of the Legislative Assembly in that behalf.”

The language of this amendment is not quite happy. You say, it shall not apply to any company, firm or person except, to the extent and in the manner to be determined. That rather refers to the degree to which they shall be entitled to protection, and not to the conditions under which the business should be started. Perhaps by some amendment of these words—as, for instance, by substituting for words “except to the extent and under conditions to be determined by a Resolution of the Legislative Assembly”—that difficulty may be obviated. Even then are we out of the woods? I am afraid not. We say, “Start the business of manufacturing steel.” But what is meant by starting the business of manufacturing steel? There are three or four companies which have been formed for the manufacture of iron and steel. Now, suppose a company has started the business of manufao-

turing one of the component elements required for steel as a preparation to the manufacture of steel. Could it be said that that company had started the business of manufacturing steel? I am not criticising the amendment in any hostile spirit; I only wish to point out the numerous difficulties which surround this question. When we refer to a company starting the manufacture of steel, you cannot make or order from the start all the ingredients required for the manufacture of steel, nor can you start all the processes on the same day. Suppose to-day you start the manufacture of pig-iron, to-morrow something else, and the day after to-morrow you begin to manufacture steel; when do you say that the company starts the business of manufacturing steel? These are the difficulties in the interpretation of these words. But if you do want to introduce something in this Bill for the purpose of limiting the bounties to particular companies which may satisfy certain conditions, then you will have to frame some amendment on the lines I have suggested. But I confess I am not satisfied with the idea of introducing this amendment nor do I think that it will achieve your object. A far more satisfactory method to my mind would be to have the whole question considered, to get some assurance from the Government that they will take up this question at once and consider the whole question of foreign concerns, so that they may lay down the conditions under which companies will be entitled to the privileges to be conferred by a Tariff Act or a Bounty Act. Now, supposing that you have carried these amendments to clause 3 or the proposed amendment to clause 4, how are you going to prevent a foreign company from reaping the benefit of the tariff wall? You cannot. The only way in which you can do it is by imposing a restriction upon any foreign company started in India that it shall have a certain rupee capital, shall offer a certain number of shares to the public here and shall comply with certain conditions. Unless you make a condition binding upon every foreign company started in this country, you will not be able to deprive those foreign companies of the benefits of the tariff wall. You may deprive them of the benefits of the bounty by clause 3 or clause 4 or by a combined clause. I have referred to these difficulties for the purpose of showing that the most suitable way of achieving your object to my mind would be to have a comprehensive measure carefully thought out and drafted for that purpose. It seems the majority of the Select Committee were of opinion that this question should be taken up at an early date. If the Government would give us some assurance that they will take up the subject at once and bring up a Bill for consideration, I for one would be satisfied. I will merely put it to the House for its consideration whether after a consideration of all these difficulties it is satisfied that the solution just now offered to it is the most suitable solution, whether it provides for all the difficulties which may arise, whether it contains suitable guarantees against evasion, and whether it secures all the benefits which we wish to secure with regard to this measure of protection. I have indicated my views with the object of making the House see clearly where exactly it is and where exactly it is going.

Mr. R. D. Bell (Bombay : Nominated Official) : I respect the sentiment which underlies this amendment but I rather think that a number of Members who are supporting it have not really thought out its logical conclusions. It seems to me that they are engaged in the process of cutting off their

noses to spite their faces. If the amendment is carried, the effect of the Bill will apparently be so altered as to require its complete recasting. There are some elementary principles of political economy and, if I refer to them very briefly, I apologise to the House for doing so. It seems to me that one of them has been lost sight of. It is a platitude of political economy that the establishment and development of industries depend on three factors, natural resources, labour and capital. We know perfectly well that if the Tata Iron and Steel Company did not have all the natural resources available, they would have been unable to start the company or if they had to import their labour from Australia or British Guiana, they would not have been able to begin operations, but it is not always readily recognised that the development of industry in any country is just as much restricted by its capital resources as it is restricted by its natural and labour resources. It must be perfectly clear to the House that unless the Tata Iron and Steel Company had been able to raise capital at all, they would not have been able to establish operations, but when that principle is more widely applied it does not always receive recognition. Nor is it only that the requisite amount of capital must be available for the establishment and development of industries; it requires confidence to extract that capital for industrial use. It seems to me singular that the party which supports this amendment very strongly is the one which also insists most strongly that India is an exceedingly poor country. I am quite willing to admit that it is a poor country. It is a poor country relatively to America or Britain or France, and I admit that its capital resources are limited. But what capital resources are going to be available if the average income of the country is, as Mr. Chaman Lal says, one anna per head per day? Capital, as the Honourable the Finance Member told us the other day, is simply accumulated savings. Well then, where is the capital coming from out of an income of one anna per day for a large steel and iron industry in this country? I do not press that point too far because I think the estimate of Mr. Chaman Lal of the country's poverty is exaggerated, but, assuming that capital is available in this country, or will be available for the establishment of further steel concerns, where is the confidence which is going to make it available for actual use? If you will turn to Mr. Chaman Lal's minute of dissent, you will see that he says that even the Tata Iron and Steel Company shows a debenture list of nearly 4½ crores mostly in the hands of foreign bond holders. I have no inside information but I am fairly certain that, if the Tata Iron and Steel Company could have raised the amount of these debentures in this country they would have done so but they had to go abroad simply because the people of this country had no confidence in them at the time they wanted money for their concern.

Now, Sir, that relates to the Tata Iron and Steel Company. When are we going to have the confidence which will produce the capital for further steel and iron companies? It is true that this Bill may alter the Indian attitude towards these enterprises, but one must estimate the position by practical results. I personally do not take a great interest in the share market, but I have observed that at least one of the Tata Iron and Steel Company's shares, since the publication of the Tariff Board's Report and the introduction of this Bill, has declined very materially, and the confidence of the people of this country in the steel and iron industry may be gauged by the fact that this particular share will yield a return of 18 per cent. if the Tata Iron and

Steel Company is able to pay a dividend on its ordinary and deferred shares 10 years hence ; and before the end of that period arrives the holders of the particular share which I have mentioned will have already received back twice their capital investment, and then they will proceed to draw a return of 18 per cent. Now, is there any likelihood in these circumstances of a purely or nearly purely Indian concern being able to raise the necessary capital in the near future for the extension of the steel industry in this country ? As I say, I have no objection myself to the use of foreign capital and I should be glad at the present moment to see, say, American capital employed in my native country to relieve the unemployment there with which British capitalists are apparently unable to cope. But I respect the sentiment underlying the amendment ; only I would point out that, if it is accepted, we get to the position which was advocated by Mr. Willson on the first day's debate. The Bill would be so restricted in its effect, as I hope I have shown, that it would practically apply only to the Tata Iron and Steel Company and to no other concern so far as we can foresee at the present time ; and in these circumstances the whole position is altered. The question of the advantage of bounties as against tariff duties is re-opened ; and, in short, if the amendment is accepted, the scope of the Bill is so altered that I think the question of recasting it must necessarily arise. At the present moment I think the situation is something like this : British capital at all events would not be tempted to such an enterprise in India unless Indian capital shared the risks. The Members who have supported this amendment speak of the profits : they have made no reference to the risks. And I am not so sure but what at the present time also Indian capitalists, if they were thinking of such a venture, would be very glad of the confidence which would be inspired in the Indian public by an admixture of British capital. Sir Sivaswamy Aiyar dealt with some practical difficulties of the amendment and I should like to point out that as it is worded it leaves scope for ample evasion. Nothing has been said as to the manner in which debentures, preference shares, ordinary shares and deferred shares are to be treated in working out the proportion between Indian and foreign capital. If you leave foreign capitalists to take up only the mortgages there will be an outcry, when the concern fails, that the Indian has had to bear the brunt. On the other hand, if the Indian is left with the mortgages there will be an outcry, if the enterprise is successful, that the foreign capitalist has gone off with the loot. You will have the difficulty of maintaining two share lists, possibly two price lists. Also there is no definition of Indian capital. Does Indian capital mean capital held by statutory natives of India, or what does it mean ? Finally, let us consider the position of a purely Indian concern such as the Tata Iron and Steel Company virtually was when it began its operations. What has been its experience ? They wanted to raise more money ; they were not able to raise it in this country. If in the case of a new company the experience of the Tata Iron and Steel Company is repeated, like that company the new company may have to go to foreign capitalists for $4\frac{1}{2}$ crore debentures. What happens if these $4\frac{1}{2}$ crore debentures exceeds the prescribed share of foreign capital ? Therefore, Sir, on the ground that the amendment introduces a principle which, if accepted, will destroy the whole structure of the Bill, and secondly, on the ground that the practical difficulties in working the amendment are insuperable, I beg to oppose it.

The Honourable Sir Bhupendra Nath Mitra (Industries Member): Sir, I am extremely grateful to the previous speaker, my Honourable friend Mr. Sinha, for having pointed out that it would be most inappropriate to incorporate in the Bill the amendment which Mr. Patel has proposed. In fact, in view of the various conflicting opinions which have been expressed in the House on the merits of the Bill and of this particular amendment, I am inclined to think that the Indian Tariff Board were perfectly wise in advocating the course of action which they suggested and which has been incorporated by Government in the Bill before the House.

I may remind the House that that Board included, besides an eminent member of the Indian Civil Service, two prominent Indians, one of whom at least has the reputation of being an economist. The objects which the Indian Tariff Board had in view were two-fold. The immediate object of the scheme of protection is the preservation of the industry as it exists at present. I think it has been admitted by all parties in this House that that object is a most essential object. If we do not secure that object, what will happen to Jamshedpur and the 50,000 labourers whom we have got collected there? The Board continue in their Report:

"The remoter but equally important object of the scheme is to attract capital to the industry and promote the development of India's natural resources."

They say nothing there that this capital is to be foreign capital or Indian capital, and I believe they had good reasons for their conclusion. If we turn to the Indian Fiscal Commission's Report and turn to the Minority Report which was signed by all the Indian Members, we come across this passage:

"We will, therefore, state at once that we would raise no objection to foreign capital in India obtaining the benefit of the protective policy provided suitable conditions are laid down to safeguard the essential interests of India."

Mr. Patel's amendment has for its basic object the ruling out of foreign capital. (*Mr. V. J. Patel*: "No. 25 or 33 per cent. can be foreign.") True, but the conditions which Mr. Patel wants to impose may be difficult to realise. In fact, if we turn now to paragraph 292 of the Majority Report, we find this passage, the correctness of which it will be difficult to dispute:

"The restrictions proposed amount to an interference with private rights which we think it desirable to avoid and even if this consideration were ignored we do not believe that it would be possible to frame any legislation on these lines which could not easily be evaded by a foreigner acting through the intermediary of an Indian nominee."

That is the main practical difficulty attending Mr. Patel's amendment. At the same time Mr. Patel is fully aware, and in fact the position has been affirmed by the Honourable Sir Charles Innes already, that it is the declared policy of Government that certain conditions will be imposed as soon as practicable on the employment of foreign capital on the development of industries in India. These conditions are as a matter of fact repeated in paragraph 51 of the Minority Report of the Indian Fiscal Commission

Mr. V. J. Patel: Have they been accepted by Government?

The Honourable Sir Bhupendra Nath Mitra: Government have in this House definitely affirmed that it is their principle to act in accordance with the

Mr. V. J. Patel : The Minority Report ?

The Honourable Sir Bhupendra Nath Mitra : Not the Minority Report, but with the three conditions mentioned in paragraph 51 thereof (*A Voice* : "Why not embody it in the Bill ?") The Honourable Sir Charles Innes has already said that the matter will receive full consideration from Government. I think that is all that it is practicable to do. If we try to introduce into the Bill various restrictions about the employment of foreign capital, we shall simply defeat the object with which this Bill has been introduced in this House.

Mr. N. M. Joshi : Sir, from the labour point of view I wish to say a very few words on this amendment. Sir, whether the capital is European or American or Indian, labour has very little to distinguish. They get from the capital, whether Indian or foreign, work and for that work they get wages. The European capitalist does not give less wages and the Indian capitalist does not give more wages to Indian labour. Therefore, from that point of view labour has nothing to choose between an Indian capitalist and a European capitalist. Sir, I am not a free trader like my friend Mr. Devaki Prasad Sinha. I am therefore anxious that industries should be developed in India. If the industries can be developed with Indian capital, Sir, having some nationalist feeling in me I should prefer Indian capitalist.

Mr. Devaki Prasad Sinha : I have also nationalist feelings.

Mr. N. M. Joshi : But, Sir, if I am given a choice between having no industry and having industry with European capital, I shall without hesitation prefer to have some industry even with European capital. Therefore, Sir, I am not in favour of this amendment. Moreover, why should labour show great preference to Indian capital although, as I said, having some nationalist feeling in me, I may be anxious to do so ? Do the Indian capitalists deserve special treatment at the hands of the Indian labourer ? If the Indian capitalists want Indian labour to join in their fight against foreign capitalists, they must treat Indian labour better than the foreign capitalists do. But as far as the capitalists are concerned—and among them I may even include semi-capitalists and the friends of the capitalists — Indians do not show any more favour to Indian labour than the Europeans may show. Only a few hours back we found in this House that an amendment for labour was ruled out of order without a protest from those people who protested, and protested with success, in this House on behalf of another amendment for the protection of Indian capital. Sir, remembering this I do not know why Indian labour should show special favour to Indian capital. (*A Voice* : "Why are you vindictive ?") I am not vindictive. Not only that. I have not even forgotten the fact that there are some Members here who will treat Indian labour and Indian capital with the same favour. Let me quote my friend Mr. Patel. He had an amendment in favour of Indian labour and he had an amendment in favour of Indian capital. But, Sir, unfortunately for me and unfortunately for Indian labour, there are very few people in this House like Mr. Patel.

Mr. V. J. Patel : You had 11 in the Select Committee.

Mr. N. M. Joshi : We had 11 in the Select Committee. I am very glad of that. But labour did not get the same support in this Assembly.

Seth Govind Das : (Central Provinces : Landholders) : Don't you think that labour also should have some nationalist feeling ?

Mr. N. M. Joshi : They have got them in their hearts. But you must enable them to express those feelings by treating them as equal partners in industry and not as wage slaves. Sir, from the consumer's point of view if protective duties are an evil, perhaps a necessary evil, and if they impose a sacrifice on the Indian people, let that period of sacrifice be as short as possible, and if that period is to be as short as possible, it is not right that we should prevent capital coming into India and establishing industries here. It is quite clear that, if you do not allow foreign capital to come into this country, that period of sacrifice will be prolonged. Therefore we should not do anything by our vote here to-day to prolong that period of sacrifice on the part of the consumer. With these remarks, Sir, I oppose the amendment put forward by Mr. Patel.

Diwan Bahadur M. Ramachandra Rao : (Godavari *cum* Kistna : Non-Muhammadian Rural) : Sir, I submit that this question of protection against foreign capital is one of the most important points in regard to this Bill and there is absolutely no doubt that it is owing to its importance that so many Honourable gentlemen have already addressed the House. Sir, the question has been considered in the Select Committee and I believe Honourable Members have noticed the exact terms of the recommendations made by that Committee. They say :

"The majority, however, of the non-official members of our Committee incline to the opinion that the possibility should be seriously considered at an early date of securing for Indian capital a substantial share in industries benefiting by State assistance."

So that, the majority of the Select Committee have already expressed their opinion that serious attempts should be made to consider this question at an early date. Sir, the whole question of protection against the inflow of foreign capital has been fully examined in the Fiscal Commission's Report to which my Honourable friend Sir Bhupendra Nath Mitra has already adverted. There were two fundamental views, one of the majority and the other of the minority who said that if protection is to be given, it should be conditioned simultaneously with steps against the inflow of capital from other countries. That is the essential difference between the view taken by the majority and the view taken by the minority. Perhaps I might invite the attention of Honourable Members to paragraph 53. They say :

"There is one aspect of the question to which attention must be drawn. If our colleague's recommendation is accepted, it will be open to every foreigner to establish manufacturing industries in India by means of companies incorporated in their own countries and in their own currency. This danger did not exist under a policy of free trade, but it is bound to materialise when the benefit of protective duties becomes available. We may have under such circumstances companies incorporated elsewhere, say in America in dollars, in France in francs, in Italy in liras, in Germany in marks, in Japan in yens, and in China in dollars, etc. It will be also possible for these companies to obtain their whole capital in their own countries and thus carry away the entire profit of manufacturing industries established behind the tariff wall. The consumer will have paid a higher price, due to protective duties, and the entire manufacturing profit will have gone out of the country. We cannot obviously understand how under such conditions 'the main and ultimate end, viz., the enrichment of the country, will be attained.' We would venture to assert that India cannot possibly be expected to adopt a policy which is likely to lead to such a result."

Sir, in this paragraph the case for some steps in the direction suggested has been put so ably that it does not require any further comment. The

sole question that we have to consider now is whether anything could be done in connection with this Bill. If the Honourable Sir Charles Innes had simultaneously examined this question when the proposals of the Tariff Board were put into this Bill and had incorporated in this Bill provisions which would have given effect to the views of the minority, we should not have been faced with the difficulty in which we now find ourselves. Sir, that is the position that we are now in. At the same time, Sir, I feel considerable hesitation in accepting my friend Mr. Patel's amendment. It is quite clear that, if that amendment is accepted, and if we here and now without any further examination commit ourselves to the principle that no company, unless it had two-thirds Indian capital, should receive bounties, there would be considerable difficulty in the working of this Bill. I do not know whether my Honourable friends realise that if no companies are formed after this Bill comes into force, Tata's would really be establishing a monopoly for themselves. That is a position that we have to consider and therefore I take it, Sir, that the scheme of the Tariff Board's Report is that there should be internal competition in the country and that prices should be so adjusted by that competition. If the object of my Honourable friends is to produce that competition, certainly I should have lent my support to that amendment. On the other hand, my friend wants to put into this Bill a clause which would disable companies coming into existence to avail themselves of the benefit of this Bill. That, Sir, is the most serious objection that I see to this amendment. Therefore, I venture to think that the Honourable Sir Charles Innes should seriously consider the question as to how far he would go to meet the sentiments which have been expressed by this House to-day, with which I am in entire sympathy and entire agreement. There is absolutely no doubt whatever that immediately and as early as possible after this Bill becomes law, this question of protection against foreign capital should be taken up. But if my friend wishes to put this into this Bill immediately, I apprehend, Sir, that it would really be playing into the hands of Tata's by giving them a monopoly in regard to steel. That is the position that I want to draw your attention to with reference to this matter and I would ask Sir Charles Innes to inform us what the intentions of the Government are. The question was raised in the Select Committee by myself and various other Honourable Members and his answer was, it is open to any Honourable Member to bring forward a Bill to amend the Indian Companies Act. That is one suggestion that he had made. The second suggestion that he made was that we might discuss the whole of this question in a Resolution framed by any Honourable Member or even by the Government, whichever is suitable. These were the two suggestions that he has made. But I see several Honourable Members are not satisfied with that solution of the question, and I trust that if my Honourable friend Sir Charles Innes makes up his mind and gives an assurance which will be satisfactory to my Honourable friends, so far as I am concerned, I might be willing to leave the question where it is. (*An Honourable Member*: "Otherwise?") Otherwise, Sir, the question has to be considered by the whole House and my Honourable friend knows very well that I am in sympathy with him, though I am not in sympathy with his amendment. Sir, we have also to remember that this is a legislative enactment that we are now considering. It is not a Resolution. Our language must be precise and we have to consider the bearing of an amendment such as this and its general effect on the purpose and objects of this Bill.

I seriously apprehend, Sir, considerable trouble if this amendment is pushed for acceptance. There are other amendments to which I might advert and if it comes to a question of choice, I shall indicate my choice at the proper time. For the present, Sir, I feel unable to support my Honourable friend.

Mr. M. A. Jinnah : I am not one of those who is carried away by this one idea that I must have the whole Bill and nothing less and nothing more. But I want my Honourable friend to understand the position a little more carefully. If it were left to me to legislate, if I were in power to bring in a Bill here and carry it through this House, I might do lots of things which might please my Honourable friend behind and many other Members here. But, Sir, I want this House carefully to grasp the issue that we have got before us and not to be led away by extraneous considerations which are likely to defeat the very object that we have at heart. Now let us consider the question in a very simple way. What is the object of this House ? First of all, is this industry going to be protected or not ? (Mr. V. J. Patel : "If it is Indian.") The Honourable Mr. Patel says "If it is Indian." At present the main portion of this industry is Indian. (Mr. V. J. Patel : "Restricted.") The Honourable Member says "restricted." If it were in the hands of Mr. Patel he might turn this country into Utopia. But we must recognise—and I am no friend of Government, I am not pleading for Government at all—but we must recognise that there is a force against us there on the Treasury Bench. And, in order to get at something else, outside the immediate object of the Bill which is certainly desirable, let us not defeat what is within our reach. It is necessary to regulate the flow of foreign capital. Are you going to-day to risk this Bill being wrecked in your attempt to secure that ? (Mr. Devaki Prasad Sinha : "Yes.") I was coming to the Honourable Mr. Sinha. He is out-and-out a wrecker. (Laughter.) (A Voice : "There are so many of us.") So far as he is concerned he honestly and frankly stated in this House that he wants to destroy this Bill. He said, "If I cannot destroy it I want to lessen the mischief and if I can wreck this Bill I should be glad." I dismiss him entirely from my consideration and I will no more appeal to him during the progress of this Bill. I appeal to the House and Mr. Sinha is entirely outside the scope of my appeal because he has confessed openly that he is a wrecker and I will not appeal to him throughout the various stages of this Bill. (Mr. Devaki Prasad Sinha : "I am not ashamed of it.") I did not say that you need be ashamed. Now let us get back to the subject under consideration. The only justification for our giving protection to this industry is the preservation of this industry, a reasonable promise of its development and lastly—and this is the most important factor—the encouragement of internal competition. Now, Sir, are we going to give a monopoly to Tata's ? If so, our last principle which I just stated namely, encouragement of internal competition, is gone. (Mr. Jammadas M. Mehta : "Is there no capital in India ?") If you have got capital in India, if the capital in India is going to compete, if the capital is so strong, then you have no fear. Is this House to-day going to make up its mind that foreign capital is to be excluded from this country ? (Mr. Jammadas M. Mehta : "Not excluded but restricted.") There I entirely agree. I agree absolutely, wholeheartedly, and fully that foreign capital should not have the full flow so as to take away the entire fruit of the labour, skill and the industry of this country. I entirely

support that view. Now, Sir, let us look at this amendment. What I feel is the question as to how to regulate the foreign capital primarily in the interests of India. If we need it, we must allow the flow, and we must regulate the flow according to our best interests, not because it is foreign capital but because it is in the best interests of India. That question, I venture to submit to the House, is a very big one. It is a scheme that requires careful consideration. I have to the best of my ability followed the observations of the Fiscal Commission and the various other observations which are made. But, Sir, I am not prepared at this short notice to commit myself to any proposal, much less to the terms of this amendment brought forward by Mr. Patel. Now let us examine this amendment carefully. You want it embodied in the Statute. I may remind the Honourable Member from the Bombay Presidency that he cannot do it so lightly. It is not a Resolution; it is an amendment you are moving, which if passed, will become the law of the land. However, I appeal to and press the Government and the Honourable Member on the Treasury Bench: "Please do not delay this matter of dealing with the question of foreign capital any longer. Remember, you have initiated this policy of protection after a great deal of delay; remember you are not free from suspicion, and that is a legitimate charge; and if you want to clear yourself of a very reasonable ground for suspecting your attitude, come out frankly and tell this House that you mean really, earnestly and seriously, to take up this question." I say, Sir, a section in the House feels that the Government have got some ulterior motive or object in coming out with this measure at this moment. I am not going to associate myself with that charge; but I say that there is a reasonable ground for this apprehension, as Government have delayed this matter for a considerable time, and I therefore ask the Government now, and here to make the position quite clear that there is no foundation for that suspicion and that this measure is intended really and truly for the benefit of the Indian industrialist and not with a view to spur foreign capital behind the tariff wall to take away the fruits of labour of the people of India. (*A Voice*: "See page 16 of the Tariff Board's Report.") I have read it. Therefore, really the position is this. Look at this amendment now and read it carefully. The amendment says that, "On being satisfied that at least two-thirds of the capital invested in the business concerned is Indian." On the one hand the Honourable Members suspect the Government and challenge the *bond fides* of the Government; on the other hand, what is sought to be done by this amendment? Who is to do this? Who is to be satisfied? The Governor General in Council. It shows an extraordinary mentality, if I may say so. (*A Voice*: "It is inevitable.") Why is it inevitable? Personally, Sir, if I had the choice of these two amendments, I would certainly prefer the latter. If you say that the Government have got that motive, that they have not come forward for the purpose of protecting industry but to give an impetus to the flow of foreign capital, and yet that they are to be satisfied, and you are giving all power to them, I cannot understand this mentality. Therefore, Sir, I strongly object on that ground alone. I will deal with the second amendment when it is moved. I do not say that I am in favour of it, but I strongly object to this amendment.

Then there is one more thing I want to say. Mr. Devaki Prasad Sinha actually went to the length of saying that you have got two European companies

mentioned by the Tariff Board and they have started and are well on their way to get steel from below the earth, and are you going to allow them to exist? Sir, I do most earnestly and seriously appeal to this House. Are you going to exclude those companies which have already come into existence? (*Voices*: "No.") Is that the feeling and opinion of this House? Is that the way you are going to treat a foreigner who has established himself in this country?

Mr. Devaki Prasad Sinha: I did not say that they should be excluded. I said that protection given to the steel industry should not be protection given to a steel industry the majority of the shareholders of which were Europeans.

Mr. M. A. Jinnah: I am very glad really that I misunderstood my Honourable friend and withdraw at once every word I said as criticism. I therefore understand that the only object of those who are now pressing for this principle to be embodied in this Bill is really to regulate the future flow of foreign capital in this country. That being so, I entirely agree with my friend, Sir Sivaswamy Aiyer. As he said, this is not a suitable place, nor can you deal with this matter by a small amendment of this character. I am in full agreement that the House should carefully consider the matter and that there must be a proper well-considered legislative measure, and if the Government do not bring it—although they say they are anxious to consider the matter—if they do not, I will ask my Honourable friend Mr. Patel to bring in a Bill, and I feel confident that any Bill which is intended for the welfare and benefit of India will have the full support of this House, and we shall carry it in spite of the Government, and let them then exercise any power they like.

The Honourable Sir Basil Blackett: (*Finance Member*): Sir, while I do not for a moment doubt that your ruling on the subject of this amendment was correct, namely, that it was in order, I would observe that it has some disadvantages. We have had three second reading debates on the subject of this Bill and we are finding some difficulty in making progress with the consideration of the clauses in spite of the fact that in addition to three such second reading debates it has been fully considered by a Select Committee working under pressure for two days. To-day we have raised by this amendment a major subject, a very big and important subject, which is accidental to the Bill, but not a necessary part of any Bill of this sort. Owing to your ruling, we are apparently to be saved from another second reading debate on another accidental subject, namely, the effect of protection on labour legislation. When an important departure is taken, such as the Government and the House are taking now in the introduction of the Bill in accordance with the principle already accepted of protection for Indian industries, it is quite clear that other big subjects are very distinctly affected. The introduction of a Bill to protect the steel industry as it is part of a general policy of the introduction of protection for such Indian industries as can eventually establish themselves on their own foundations, brings up at once before those who are considering the subject, the question of labour legislation, factory legislation, and in this case Companies Act legislation in regard to the importation of foreign capital. The fact that you have decided on this policy undoubtedly makes it important that certain subjects which arise with the industrialization of a country should be considered. One of those subjects is labour legislation.

Another of those subjects is the conditions under which foreign capital should be permitted to enter. But if we are to conduct our debates in orderly fashion and pass our legislation in orderly fashion, we must make some attempt to deal with each subject on its merits, one subject at a time. Legislation regarding the conditions on which trades unions are to be recognised is not legislation that you can usefully or fruitfully carry by tacking on to a Bill for the protection of steel clauses in regard to labour legislation. Similarly, the subject of the introduction of foreign capital into India is not a subject, I submit, which you can usefully or fruitfully tackle in an amendment to a particular clause of this particular Bill. It is a subject you must deal with by itself, and it is a very difficult subject. There is some obscurity, some confusion of thought, I think, as to which particular amendment we are discussing. I imagine that I should be out of order, however, if I discussed any particular amendment other than the one of Mr. Patel :

"On being satisfied that at least two-thirds of the capital invested in the business concerned is Indian."

But I hope the House will allow me, if I may, first of all deal a little broadly with this whole problem of the importation of foreign capital into India. I think it was in my Budget speech a year ago that I expressed the view that there were practically no limits to the amount of capital that could be usefully expended in India on development. I have not observed, since I came out, any very free flow of foreign capital into India. It has been, I am afraid, the other way, and though I hope there will be no difficulties about placing a 20 crore loan this year in accordance with the Budget programme in this country, I have seen suggestions, from Swadeshi sources as far as I could make out, that I should go to England for the money in order not to drain the Bombay market. I have no desire to go to England for the money, and I trust that the Indian capitalist will show by his readiness to subscribe to that 20 crore loan that there is no reason for my doing so. But undoubtedly one of the difficulties of continuing even the Government's programme of capital development in India is the limitation of the capital available in this country. I was very glad this year when we were able to avoid a sterling loan. It is much too soon to say what will happen next year, but I am sure the House will agree that our policy should be not to borrow in sterling unless we have to, to borrow in India for our capital expenditure when we can. I have every sympathy, like all the other speakers, for, if I may use the word without offence, the sentiment that underlies this amendment. That sentiment is based on various reasons or public expediency, of political motive. But it is a sentiment which, I submit, may land India in real difficulties if it is given way to too much. The subject of the importation of foreign capital is one which has always cropped up when protection is adopted in any country. I have here a quotation from perhaps one of the greatest men who ever founded a new country, Alexander Hamilton :

"It is not impossible," (he writes in regard to the admission of foreign capital), "that there may be persons disposed to look with a jealous eye on the introduction of foreign capital as if it were an instrument to deprive our own citizens of the profits of our own industry. But perhaps there never could be a more unreasonable jealousy. Instead of being viewed as a rival, it ought to be considered as a most valuable auxiliary, conducing to put in motion a greater quantity of productive labour and a greater portion of useful enterprise than could exist without it. It is at least evident that in a country situated like the United States, with

an infinite fund of resources yet to be unfolded, every farthing of foreign capital which is laid out in internal ameliorations and in industrial establishments of a permanent nature is a precious acquisition."

That is not to say that there is no objection to the introduction of foreign capital, but foreign capital is a danger only in certain circumstances. It is a danger if it can come in in such circumstances that it exploits the resources and the labour of the country into which it comes and at the same time is strong enough to kill internal competition. It is when it comes in with a view to killing internal competition and destroying, if they exist, pre-existing industries or preventing the establishment of rival indigenous industries, that it becomes a danger. Otherwise I maintain that it is almost an unmixed good. People talk about the drain that foreign capital causes. Well, the first drain is the drain of the foreign capital into India. Until you drain the foreign capital here, you cannot even begin the drain the other way. If, without that drain of foreign capital from abroad, the industry of India is not developed, there are no profits to drain away. India has, after all, even in the worst of circumstances, got labour employed and the actual presence here of a large amount of capital assets created by the importation of foreign capital,—all that before there can be any drain abroad. But I go further than that, in the case that we are discussing now. One of the very definite objects of this Bill, as stated by the Tariff Board themselves, is not merely to maintain the existence of the Jamshedpur steel industry, but to encourage internal competition with that industry. That industry will, I submit, not be encouraged unless you leave a considerable freedom to foreign capital to come in and help to establish competitive industries. The only justification for a Bill to protect the steel industry must, I submit, be that in the long run it will increase the national dividend of India. Now will you increase the national dividend of India if you couple with your Bill for protection, conditions preventing such foreign capital as is dribbling in here now from going on dribbling in here? You will thereby not increase the pace at which India is being developed. You will meanwhile hand the country over, as has been pointed out, to the mercies of one iron and steel company, which, however entirely Indian it may be, has not and cannot have as its first interest, the reduction of the price of steel to the consumer of steel in India. Mr. Patel is not altogether illogical because I think his view is that this Bill is a bad Bill and that we ought to have introduced a Bill to buy up the Tata Iron and Steel Company.

Mr. V. J. Patel : Or share the profits.

The Honourable Sir Basil Blackett : Or to share the profits. But if this is not a Bill simply for the Tata Iron and Steel Company its justification must be that it creates conditions which will lead to the establishment of competitive iron and steel industries in this country and that in the long run India will supply herself with a far larger proportion of her steel than she does at present at, on the whole, a price not very much higher, if at all, than the price she would have had to pay for imported steel. An amendment of this sort will, I submit, go quite contrary to the whole purpose of the Bill, namely, to establish the industrial strength of India in the matter of steel on firm foundations. The Government have been asked what then they are going to do about it? Mr. Jinnah has even ventured to suggest that there may be suspicion of the Government in this matter. Mr. Jamnadas Mehta

did not hesitate—at any rate the day before yesterday—to mention his suspicions. In fact he said that he felt it necessary to get down on all fours and look on all sides of this Bill to see just what the damage was that the Government were trying to do to India by this Bill. I would suggest to Mr. Mehta that he should adopt the more human position of standing upright and take hold of this Bill in both hands while he can. But these unworthy suspicions do not take us any further. (*Mr. Jammadas M. Mehta* : “They are historical.”)

I have expressed at short notice a few of the views that can be held in regard to foreign capital. It is a question which undoubtedly requires very careful examination. I am not sure, speaking for myself, that I should be willing to subscribe to either the minority or the majority report of the Fiscal Commission, and I know that a good many people hold different views on the subject. I have here a book by a man who I think was a member of that Commission—Professor Coyajee—which contains some very valuable thinking on this subject. The Government undoubtedly will have to introduce in due course legislation to deal with this subject, but I am inclined to agree with Professor Coyajee's conclusion. I will, if I may, read it to you because I think it sums up the subject very well :

“Our conclusion is that there are strong reasons for pausing before adopting any course which restricts the free flow of foreign capital into India. We have to consider the fact that conditions essential to exploitation by foreign capital are a matter of the past so far as India is concerned ; that a vast amount of foreign capital is essential for anything like an adequate industrial development of the country ; that under present circumstances of the world's capital resources, nothing like this adequate supply of foreign capital is likely to be attracted to the country ; that artificial remedies for the nationalisation of foreign capital have not proved successful in any country ; finally, that the competition of foreign capital would lighten the burden of protection on the Indian consumer, would shorten the period of infancy of our industries and would give us the much needed experience, organization and industrial environment. Nothing is to be lost by delaying the formulation of a policy of restrictive character until we can read the signs of the times.”

I have no definite proposal to make. I cannot on behalf of Government promise that legislation of a particular character will be brought in at a particular date ; but the Government would be very ready, I am sure, to consider—possibly in consultation with a committee of this House if the House desire it so, or in such form as might appeal to the House in general—the whole of this very difficult question with a view to legislation, if necessary, to amend the Companies Act. I would submit to this House that after the long discussion we have had to-day, and in view of the reasons for hastening the consideration of the Bill, that the House should be content with that assurance on behalf of the Government and should not press for the inclusion in this particular Bill of any particular amendment. I would point out that neither, as far as I can see, anybody in this House nor the Government have any suitable amendment even adumbrated.

Mr. W. S. J. Willson (*Associated Chambers of Commerce : Nominated Non-Official*) : Sir, the amendment before the House and the discussion thereon have brought out that there is a great deal of confusion of thought in this matter. Many Members seem to think that when you use the word “Protection” you mean protecting everybody and everything all the way as you go along. We should realise I think that the word “Protection” really means the opposite of Free Trade and we should not, when we bring in a Bill

for the purpose of affording protection to the steel trade, try to protect a great many other things in the one Bill. For my part I am a great deal more in sympathy with the clauses which it was sought to introduce in regard to labour, than I am with the clauses which it is sought to introduce in restriction of "foreign" capital. The former, the protection of labour, seems to me to be in no way contrary to the spirit of the Bill. The protection of Indian capital and investors seems to me, however, to be decidedly contrary to the heading of the Bill which is :

"A Bill to provide for the fostering and developing of the steel industry in India."

To attempt to tack on to that Bill any clause circumscribing your capital is not to "foster and develop" the industry of India but to undevelop it and to hamper it. With the aspiration—or, as the Honourable Sir Basil Blackett says, the sentiment—underlying this amendment I have a certain amount of sympathy ; but I have a great deal more sympathy with the sentiment underlying a protection of labour which does not aim at the root of the Bill.

I oppose this amendment on the two grounds of principle and practice. I say that the principle is bad and I say that the practice is next to impossible. Think for one moment how you would carry it out. It is proposed that the capital should be proved—proved, mind you—to be two-thirds Indian and one-third anything else. Now, Sir, before the Government could pay out the bounties which by this Bill we seek to grant to the steel industry, the Government would have to be satisfied that the company contained either two-thirds—or any other figure you like to mention—of "Indian" capital. How could they possibly do it ? If they study the list of shareholders, they may see on it a gentleman by the name of "Cooper." How are they going to know if he is a Bombay Parsi or a European ? Similarly, they may come across a Jewish name : is it a Baghdadi Jew, an Indian Jew, or a foreigner ? Then there is the question of "Benami" I will not say anything of "Benami" : you all know all about it and you know perfectly well that if any foreigner—a German or an American—asked an Indian bank to hold his shares in their name they would do it. If they asked a solicitor to hold shares on their behalf, he would do it. It would even be possible for them to float a company and hold the shares. It would be possible also to have trustees who can hold shares for them in any company they like. You cannot get at the root of the evil and the only time you really find it out, is when there is a war when it is a serious and a military offence to be holding a stock for a German. So much for practice. That much for the practical part of it. Or again you could have a company. The company might have a very small capital of ordinary shares. The Indian capital might be a very large proportion in preference shares, but with no vote. Therefore, that company, with two-thirds or more of the capital being Indian which would have no say in the matter, would have no practical control, would yet either come within the terms of the decision which Government have to take, or Government would take—they might take—one or two years to make up their minds ! I feel confident that no Government Member would undertake to carry this out,—but the only person who would ever undertake to carry it out would be a lawyer, and his decision would be liable to appeal, and it would be decided five years hence in the House of Lords.

I would like to refer to some remarks which fell from my Honourable friend Pandit Madan Mohan Malaviya this morning in which, if I may say so, I think he sought to draw before the House a very unfair conclusion, a conclusion which might mislead a great many of the Members. He attempted to show that British legislation, especially the Trade Facilities Act, excluded foreigners. He quoted this section—I am not sure if he quoted the whole of it,—but he said that the Trades Act provided that :

“ Provided no credit shall be granted by the Board under this section to an alien or a firm in which the majority of the parties are aliens or to a company whose British subjects do not form a majority of the Directors where a majority of the voting power is not in the hands of British subjects.”

Now, was it fair to trail that before this House and represent to the House that Great Britain's legislation attempted to confine itself to Englishmen ? It does nothing of the kind. There is nothing to stop Indians in quantities from going to England and starting Indian companies there to their heart's content, and any of you who have been to England recently know that the place is really flooded with Indians.

Then Mr. Patel and Mr. Mehta both had the idea that “ Protection ” meant the protection of Swadeshi enterprise. Now that is an entirely separate thing altogether and it must be separately dealt with. To attempt to do it in this Bill is to attempt the impossible, as I have just pointed out ; and secondly, allow me to put before you the case from the industrialists' point of view. As an industrialist all my life, I may tell you that you cannot develop the steel or any other industry if you are going to put power into the hands of Government and enable them to control, cramp and limit it. You must allow your management to have an absolutely free hand to conduct the business in their own way. You should neither approach the Government for any help nor give the Government any right to interfere in your process. If you insert this clause in the Bill, you will be first of all casting upon Government a responsibility, which, in my opinion, they could not undertake, and in the second place, if they did undertake it, it would be extremely undesirable and it would affect the industry very adversely. On the principle whether it is desirable even to exclude foreign capital, there again I am under no misapprehension whatever myself. You have the Tata Company, which is admittedly an Indian Company, conceived and started by Indian brains, and floated with Indian money in the first instance. But if you are going to lay down the principle that all your protected industries should be the same, then you are going to get into the same difficulties as the Tata Company have got into. No matter what concern you are floating, you cannot guarantee its success. You have to take a trade risk in all your commercial ventures. If you take a trade risk in something and lose your money, as Tata's did, and if you become sufficiently hard pressed for money, it is useless to be told to go to Indians for the money, which you cannot get ; you would, if you were sufficiently pressed, borrow from the devil. Therefore, Sir, what is the use of putting into the Bill any such restrictive clauses which will defeat your object when you really want money ? You have now the very fine Tata Company. You have two other companies, one called the Indian Iron and Steel Company and the bulk of its capital is subscribed, I am told, by Indians. They can raise no more capital ; that company cannot start work at all.

Now is it better that you should have the Indian Steel and Iron Company with a certain amount of its capital paid up remaining stagnant, because it cannot do anything, it cannot develop the industries of the country, or would it be better that it should be allowed to go to the open market for money? In short, let us assume for the moment that the Tata Company was not an Indian company. Is it better that you should have all the iron ore lying useless under the ground or is it better that you should have 90,000 people living on it, of whom say 89,500 are Indians? Which is better? Do you want to develop the country or not? There is also another company which has been mentioned in the Tariff Board Report, the Associated Steel Company of Asia. I believe again—certainly I am told—that the bulk of their capital is Indian. They have not started work. I do not expect they will be able to start work, as far as I can make out for want of capital. So I say on principle this is an essentially bad idea.

Apart from that, speaking for the interests which I naturally represent, I feel strongly that if it is sought to tack on to this Bill any clause which to my mind has nothing to do with the Bill, then I say quite frankly, that if that clause is passed in this House, it is aimed at capitalists such as us and, if you aim at throwing such as us out, of the scope of the Bill, then I do not know how the Government are going to proceed with the Bill, or whether they will withdraw it but if this clause is passed this afternoon, then I shall cast my vote on the side of those who would throw the Bill out.

There is just one point more, Sir. Now let us assume that you are all Indian shareholders in an Indian restricted Company, and nothing else. The day will come when you will all die, a very cheerful prospect always open to every one of us. When you die, how is your money to be realised? Even if you do not die, you may want to sell your shares; you may always want to sell your shares. But if you have any such restrictions in your articles of association, you are cramping your own market and you cannot sell your own shares. To those of you who do not know it, I will give a concrete instance. I have shares in a Company which has restrictions on transfer. My honest belief is that those shares are worth Rs. 200 each as against their original value of Rs. 100, but I cannot get more than Rs. 125 for no other earthly reason than that the market is cramped. You must as investors have an open market for your shares.

These are the few remarks that I wish to make, and I think the House will do very well to bear them in mind from the practical point of view. As an investor, do nothing to cramp your own activities, always be free to realise your property whenever you wish to do so, and above all, do not tack on to what appears to me a straightforward Bill, a clause which will alienate such sympathies as my own.

The Honourable Sir Charles Innes : I must confess, Sir, that my heart sank when I saw the Honourable Pandit Madan Mohan Malaviya rise. When we are discussing a Resolution we have some safeguard in the Chair, but when we are discussing a Bill we are entirely at the mercy of the Honourable Pandit Madan Mohan Malaviya. But, Sir, I must be careful against falling into the same trap as my Honourable friend. I propose at this stage of the evening, when we are all tired, to be as brief as possible in my remarks.

The main charge, as I understand it, that I have to meet is this. It has been pointed out that in paragraph 292 of the Fiscal Commission's Report the Fiscal Commission made certain recommendations in respect of bounties. They said that, when bounties or other concessions were given, it would be reasonable to make certain stipulations regarding capital, that the companies enjoying concessions should be incorporated and registered in India with rupee capital, that there should be a reasonable proportion of Indian directors on the board, and that reasonable facilities should be offered for the training of Indian apprentices. And it has been quite correctly pointed out that Government on one occasion did say that that was their policy in granting concessions to firms. I have been asked quite definitely why, when that is our policy, when we have said so, in so many words, when a recommendation of that sort has been made to us by the Fiscal Commission, we have not embodied it in this Bill. The answer, Sir, to that is quite simple. The first point is that there is a very great difference between a policy which the Government frame for their own guidance and a policy which you propose to incorporate in the law of the land. The policy you frame for your guidance can be adjusted to the particular circumstances of the case. When you incorporate that policy in the law of the land you have to define with great precision and indeed you have to stereotype all the incidents of that policy. If, for instance, you are prepared in any way to limit the amount of foreign capital, you have got to decide what proportion of foreign capital you are going to allow. If you are going in any way to interfere with the composition of the board of directors and to limit the proportion of foreigners on that board, you have got to define that proportion. Now, Sir, obviously before you can take action of that kind, it needs the most careful preparation and the most careful thinking out; and indeed I feel that in the whole of our debate to-day we have been on delicate and very dangerous ground. I claim that the course of the debate is entirely in favour of what I have just said, namely, that before you can incorporate a policy of this kind in a Statute, you must have the most careful preliminary study and investigation, for there has been no unanimity among Members of the Assembly as to what the exact incidents of that policy ought to be. Mr. Lohokare suggests that half the capital should be held by natives of India, and half the directors should be natives of India. He has an alternative suggestion that the company should be a rupee company. Mr. Patel has a suggestion that two-thirds of the capital should be Indian. He has also got an alternative suggestion. Mr. Pal has made another suggestion. Mr. Duraiswami Aiyangar has made another suggestion, and the Honourable Pandit has made yet another suggestion. It is perfectly clear that nobody in this House has got any clear ideas as to what the incidents of this policy, if it is adopted, should be; and that, I claim, is the main justification for the position that I am about to take up. I have already assured Honourable Members that, acting on the recommendation of the Select Committee, we are prepared to take up this question; we are prepared to investigate it at once; and, as the House knows, there is attached to my Department an Advisory Committee of the Indian Legislature. I am quite prepared to go into the question at once with that Advisory Committee; but at the present stage I must make it perfectly clear that I am not prepared to go further. We are not prepared, as at present advised, to agree to the introduction of clauses limiting foreign capital and prescribing a proportion of Indians on the boards

of directors into this Bill—in the first place, for the reasons I have already given, and in the second place, because I think that these clauses would be futile and illogical. It would be futile for the reasons that I pointed out this morning to insert these provisions in regard to the clauses about bounties on rails, and I repeat again with absolute confidence it is impossible that any firm other than the Tata Iron and Steel Company could make rails during the lifetime of this Bill. That being so, I see no necessity to insert these provisions into that clause. In the second place, I say it is illogical. These bounties are after all merely a form of protection. If you are going in for a policy of the kind which has been impressed upon us by Mr. Patel, by Mr. Duraiswami Aiyangar, by the Honourable Pandit Malaviya and by others, that policy should apply throughout, and should apply to duties as well as to bounties. It would be impossible for us to work into this Bill, in so far as duties are concerned, the policy adumbrated by those Honourable Members. You could confine it only to the bounties.

And now, Sir, before I sit down I should just like to make an appeal to the House. The Honourable Pandit has said that we are coming to a serious situation. If that is so, I ask the House to be guided in this matter not by the Honourable Pandit Madan Mohan Malaviya but by practical businessmen like Mr. Willson and by economists of European reputation like my Honourable Colleague on the right. I ask the House to remember this. We have come before them with a fair offer and an offer which many people have acknowledged to be far in advance of anything done in India in this line before. I ask the House to remember that in a matter of this kind there must be some give and take, and I do ask the House not, by insisting on amendments of this kind, to put the Government of India into a very serious difficulty, and not to imperil not only a great industry existing in India but also the future of the steel industry of India. I appeal to every moderate minded man in this House to be satisfied with the assurance I have given that I am prepared to take up at once the examination of this question, and to support the Government in rejecting Mr. Patel's amendment.

Pandit Motilal Nehru : Sir, I have no intention at this late hour to inflict a speech on this House. I have been watching this debate with the keenest interest and I can assure the House that all the time there has been a struggle going on in my mind between two principles—the principle that indigenous industry should be protected against foreign invasion, and the principle that foreign capital is as much necessary for the development of the country as Indian capital. During the continuance of that conflict, I have tried to solve my difficulties by the help of the speeches that have been made. That is the reason why I am the last person to stand before this House in this debate. My difficulty is that, while there is a genuine desire, and a very natural desire, on the part of this House to protect Indian industries from foreign invasion, there is the alternative that, if they insist upon it, the effect will be that the Government will not accept the amendment and the Bill will practically be thrown out. I have been considering all this time as to what my plain duty is under the circumstances. It is true that we are entirely in the hands of the Government so far as this Bill is concerned, if we do not want to throw it out. Mr. Dumasia indulged in an appropriate figure of speech when

he said that the noose was round the necks of the consumers and the string in the hands of the Tatas.

Mr. N. M. Dumasia : I only borrowed the metaphor used by my friend Mr. Devaki Prasad Sinha.

Pandit Mohilal Nehru : I think at the present moment that metaphor applies more to this House and the Government than to the Tatas and the consumers. The noose is round the neck of the House and the end of the string is in the hands of my friend the Honourable Sir Charles Innes. Now, it is said that it will be difficult to include in this Bill the complex provisions that would be necessary to attain the desired result, and indeed we are ourselves not quite clear as to what it is that should be included in the Bill. I admit that there is great force in this contention. But there is nothing, in my humble judgment, to prevent this House from committing itself to the principle without going into any details whatever. Assurances have been given from Government Benches that a new Committee or the old Advisory Committee or the Finance Committee will at once be called upon to consider this matter and then the Government will see what steps to take. That, I submit, is not a commitment to any policy whatever. The very least that I expect the Government to do is to commit themselves to the principle underlying all these amendments without committing themselves to any particular amendment or the details of it. Now when I am asking that, I am not asking anything new, because we have it in the Fiscal Commission's Report at page 161 where a Member of this Government, the Honourable Mr. Chatterjee, on behalf of Government stated :

"The settled policy of the Government of India, as I think we have mentioned more than once in this Assembly, is that no concession should be given to any firms in regard to industries in India, unless such firms have a rupee capital, unless such firms have a proportion, at any rate, of Indian directors, and unless such firms allow facilities for Indian apprentices to be trained in their works. This has been mentioned more than once, and I can only repeat this declaration."

That being the settled policy of the Government of India, if nothing has happened to induce the Government to change that policy, where is the difficulty and where is the harm in putting in a very innocent provision in this Bill declaring that that is the policy? Now as to how that may be done, we might consider the alternative proposal of my friend Mr. Patel—I know it is not before the House—but I am just referring to it as my own suggestion. I put it in my own way, and I would beg the attention of my Honourable friends opposite to the alternative amendment that I propose. It would run something like this :

"Provided that nothing in sections 3 and 4 shall apply to any company, firm or other person who starts the business of manufacturing steel rails, fish-plates or iron or steel wagons after the passing of this Act except under such conditions as to the proportion of Indian capital and the Indian element in the management as may be determined by the Governor General in Council in concurrence with the Indian Legislative Assembly."

You have here the recognition of the principal leaving everything else in the hands of the Governor General in Council to be given effect to by rules to be made by him with the concurrence of the Assembly. It is a suggestion

which I make with the concurrence of my Honourable friend Mr. Patel who will be willing to adopt it as his own amendment. And when I put it forward as an amendment, I do not ask the Government to go in the least out of their way, but to concede a principle to which, in my humble judgment, they have been committed all these years. While the control of this House is preserved, the amendment is flexible enough to give the Government their proper share in the determination and selection of the companies which will be entitled to the benefit of these provisions, and what is more important it recognises the principle on which the House insists. Beyond that, it does not go. If necessary, I will move this as a formal amendment, but I hope that my Honourable friends opposite will see their way to accept it.

Now, there is one thing which I wish very clearly to bring to the notice of my Honourable friends opposite. The one predominant note of the whole debate has been suspicion, suspicion, suspicion; distrust, distrust, distrust. On the one side, there is the suspicion of the Tatas, on the other side, there is the distrust of the Government. Now I cannot say that such suspicion and distrust is wholly unjustifiable. On the contrary, there is good ground for it, as has been pointed out by speaker after speaker, in the past history of this country. So far as Tatas are concerned, that suspicion ranges round the question of labour, its treatment and management. But, that is not the point now before the House. As regards the Government I do not at all mean to convey that I agree with those Members, who suspect that the real object of this Bill is to introduce foreign companies into this country. That is an extravagant assumption to make and I cannot be any party to it. But that the Bill leaves a very wide door open for such companies to come in, there is not the slightest doubt. Not that I will not welcome them when they come, if they will let us also have a finger in the pie, but not otherwise. All I ask the House to do is to acknowledge this principle for the present and leave the rest to the rules to be made by the Governor General in Council in concurrence with this House. That is my suggestion, Sir, and I hope and trust that it will be adopted by my friends. I am willing to make any verbal alterations in my draft to suit them; but if they do not see their way to accept it, then I really will be placed in a very difficult position because I cannot honestly ask the House to forego this principle altogether and rest content with the promise that the matter will be considered in a particular committee. I could accept even that if it involved a recognition of the principle—I do not mean that I do not take that assurance such as it is—but what does it come to? It simply comes to this that you say to us: "You people have taken so much time over this question: all right we will discuss it with you on some future occasion." A non-committal sort of thing. I want this House, including the Government Members, to recognise and declare a principle only and leave the rest of the matter to be settled in the best way in which it can be done. That is my suggestion, Sir, and I formally move this amendment:

"That at the end of clause 3, the following proviso be added, namely;

'Provided that nothing in this section and section 4 shall apply to any company, firm or other person who starts the business of manufacturing steel rails, fish-plates or wagons after the passing of this Act except under such conditions as to the proportion of Indian capital and Indian element in the management as may be determined by the Governor General in Council in concurrence with the Indian Legislative Assembly.'

The Honourable Sir Charles Innes : Sir, may I just say a few words in regard to the amendment of which the Honourable Pandit Motilal Nehru has just given notice. I understand that this is an amendment not to the actual amendment which we are now discussing, that is, Mr. Patel's amendment, but to the alternative amendment which, I understand, we are not discussing at all at the present moment.

Mr. President : Pandit Motilal Nehru's amendment will take the place of all amendments on this subject. That is the suggestion. If it is accepted, all the other amendments will go out.

The Honourable Sir Charles Innes : It is rather difficult for me, Sir, to agree to amendments being moved on the floor of the House on a very controversial and difficult matter of this kind. The Honourable Pandit has asked the Government to commit themselves to a principle and policy. It has already been stated publicly in the Fiscal Commission's Report that Mr. Chatterjee, on behalf of Government, made this statement :

"That no concession should be given to any firms in regard to industries in India unless such firms have a rupee capital, unless such firms have a proportion of Indian directors, and unless such firms allow facilities for Indian apprentices to be trained in their works."

Pandit Motilal Nehru : We want nothing more.

The Honourable Sir Charles Innes : But why should Pandit Motilal Nehru not be content with a declaration which is already stated ?

Pandit Motilal Nehru : The statement is not connected with the steel industry and does not appear in the Bill.

The Honourable Sir Charles Innes : The amendment of which he has given notice goes beyond that; it goes beyond anything the Government have ever committed themselves to.

Mr. President : I understand the Pandit is willing to adjust the wording of the amendment to suit the views of Government.

The Honourable Sir Charles Innes :

"Except under conditions as may be determined by the Governor-General in Council in concurrence with the Indian Legislative Assembly."

I could not possibly agree straight off to an amendment of that kind. Moreover, all we have ever agreed to is that such concessions should be given to firms with a rupee capital, that is to say, the Indian investor is given an opportunity of investing. We have never attempted to prescribe a certain proportion of Indian capital and that introduces a new principle as far as we are concerned which we must examine. We could not possibly agree to that. I think the best plan would be, Sir, since I cannot possibly agree to this amendment as it stands that, if the House agrees, we should adjourn till to-morrow.

Mr. President : We had a full discussion of this subject and we adjourn now in order to enable the Government to consider how far they are prepared to meet Pandit Motilal Nehru's suggestion, whether in its present form or in some other modified form that may be agreed to. Otherwise we will proceed to the voting on this amendment.

5th June 1924.

THE STEEL INDUSTRY (PROTECTION) BILL.

Pandit Motilal Nehru : (Cities of the United Provinces : Non-Muhammadan Urban) : Sir, you were pleased to give the House time to consider the question of the amendment proposed by my friend, the Honourable Mr. Patel, and the amendment to that amendment which I suggested yesterday. Now, after careful consideration, Sir, I would beg your permission to alter the amendment to Mr. Patel's amendment, which I had the honour to propose yesterday. I now beg your leave to move the following to take the place of Mr. Patel's amendment. It runs as follows :

" That clause 5 be re-numbered as clause 6 and, after clause 4, the following clause be inserted :

' 5. Notwithstanding anything contained in section 3 or section 4, no bounty in respect of steel rails, fish-plates or wagons shall be payable to or on behalf of any company, firm or other person not already engaged at the commencement

Conditions qualifying for bounties. of this Act in the business of manufacturing any one or other of such articles, unless such company, firm or person provides facilities to the satisfaction of the Governor General in Council for the technical training of Indians in the manufacturing processes involved in the business and, in the case of a company, unless—

- (a) it has been formed and registered under the Indian Companies Act, 1913 ; and
- (b) it has a share capital the amount of which is expressed in the memorandum of association in rupees ; and
- (c) such proportion of the directors as the Governor General in Council has by general or special order prescribed in this behalf consists of Indians '."

Now, Sir, I presume the amendment which I have now the honour to lay before this House covers the whole ground of the debate of yesterday.

Mr. V. J. Patel : (Bombay City : Non-Muhammadan Urban) : May I just rise to a point of order ? The question is whether this is an amendment to my amendment. This is really an addition of a new clause after clause 4, and my amendment relates to clause 3 for the insertion of certain words. I therefore submit, Sir, that it can be dealt with separately after my amendment has been disposed of. This could not possibly be an amendment to my amendment. That is one point of order.

The second point of order I submit for your ruling is whether Pandit Motilal Nehru can at this stage substitute an amendment for another amendment which was duly moved by him in this House. Is this an amendment to an amendment of an amendment ? I do not know what it really is but there it is. He had moved one amendment ; it was the property of the House. Whether Pandit Motilal Nehru can now, with your permission or without your permission but without the permission of this House, withdraw his own amendment and put in another amendment in its place is open to question.

Mr. President : I expect of all Honourable Members composing this House that they keep to certain understandings arrived at. Honourable Members will remember that, after the debate which took place yesterday on Mr. Patel's amendment, a common understanding was arrived at that the Government and non-official Members would explore the possibility of drafting a clause which would cover Mr. Patel's amendment and other amendments of the same character and would present a satisfactory solution of the point of

view that various Members were anxious to support. That having been done, Honourable Members are expected to keep to that understanding, and if Pandit Motilal Nehru and those who think with him about this matter are satisfied with the new draft amendment then we expect that Mr. Patel's amendment on this subject, as well as the amendments of other people on the same subject, will not be pressed.

Mr. V. J. Patel : That is on the assumption that there has been an understanding.

Mr. President : If Mr. Patel is not prepared to accept what Pandit Motilal Nehru is prepared to accept, then the course is very simple. We will now have a complete statement from Pandit Motilal Nehru and the Government as to what they are agreed upon. Then the amendment so agreed to will be moved at the proper time and the new clause will be duly inserted. In the meantime Mr. Patel's amendment can be formally moved and voted upon. Members will know, in view of what is going to be done, whether they should or should not vote for Mr. Patel's amendment.

Mr. V. J. Patel : May I just clear a point, Sir ? It seems that you will allow Pandit Motilal Nehru and also the Government to place their views on the whole question. The result of that will be that it will indirectly affect the result of my amendment prejudicially. If the Pandit's amendment is to be the last thing, then it should be taken up last. Why should it now come in our way ?

Mr. President : We are merely resuming the debate where it was left yesterday, and it is necessary for the House to know the result of the negotiations between the Government benches and Pandit Motilal. Surely, I expect that the Honourable Members desire that the House should arrive at a proper decision on this matter with full knowledge of what has happened. It is necessary, therefore, that the House should know what understanding, if any, has been arrived at between Government and those who advocated a particular view yesterday and, after knowing that the House may vote on Mr. Patel's amendment in any manner they like.

Mr. V. J. Patel : That means, Sir, that he has not formally moved his amendment.

Mr. President : Order, order, Pandit Motilal Nehru is now in possession of the House.

Mr. V. J. Patel : I rise to a point of order, Sir. I want to know whether this amendment is moved at present, in view of the fact that I do not agree with it.

Mr. President : There is no point of order. Pandit Motilal Nehru is making a statement regarding what has happened since yesterday.

Pandit Motilal Nehru : I only rise to finish the statement which I began when I was interrupted by my Honourable friend, Mr. Patel. I have read out to the House what I propose. If it is not permissible at the present stage, I shall propose it when the proper time for it comes, as an amendment which would cover the ground of the debate of yesterday. But there is something which I have got to add to my statement, and it is this. I will remind my friend, the Commerce Member, and the other Government Members, that

my amendment is conditional upon their giving an assurance to this House that there will be an *ad hoc* committee elected by this House to go into the question of Indian proportion in the capital and other questions connected therewith. That completes my statement with regard to the proposition that I propose to lay before the House.

Now, Sir, I beg your permission to say one word about the objection which has been taken by Mr. Patel. I submit that there is absolutely nothing in that objection. Here is Mr. Patel's proposition laid before the House which concerns certain matters. I rise to propose an amendment to that proposition relating to those very matters. It is wholly immaterial whether I call it clause 4 or clause 5 or (b) or (c) or X, Y or Z. The point is, what is the actual proposition before the House and whether the amendment I am placing before the House arises out of that proposition? That is the point, Sir, on which I would ask your ruling. I submit that I am strictly within my rights in proposing the amendment whether it is an amendment to the original Bill or it is an amendment to the amendment of Mr. Patel or it is an amendment to the amendment which I proposed yesterday to the amendment of Mr. Patel. Whatever it may be, it is a proposition which, with your permission, Sir, I wish to lay before the House as an amendment to the proposition which Mr. Patel has moved. Now, Sir, the question is whether I am entitled to move it or not. If it is only with your permission that I can move it, then I ask that permission. If it is with the permission of the House that I can move it, I ask the House to give me that permission. But I submit that, having regard to the nature of the amendment, I require no such permission because it comes directly within the four corners of the proposition which was advanced by Mr. Patel. It is absolutely immaterial what I call it, whether I call it a new clause or make it part of the old clause. Therefore, I submit, Sir, that I am perfectly within my rights and I now ask your permission to move the amendment.

The Honourable Sir Charles Innes: (Commerce Member): Sir, I should like just to supplement what Pandit Motilal Nehru has said. The House will remember that yesterday, in the course of the debate, Government were pressed to incorporate in the Bill provisions on the lines of paragraph 292 of the Fiscal Commission's Report and on the lines of the statement of policy made by the Honourable Mr. Chatterjee in this House on the 2nd of March, 1922. I have explained yesterday our reasons why we were reluctant to import matter of this kind into the Bill. But we have considered the matter again. We recognise that this is a matter on which the House feels strongly, and we have decided to do our best to meet the wishes of the House. In order to meet the House half-way I am prepared to agree to the amendment of which the Honourable Pandit Motilal Nehru has given notice, and I hope the House will observe that this amendment honours strictly the obligation laid upon Government by the statement of Mr. Chatterjee. I am aware that there are sections in the House which would like to go further and which would like to incorporate in the Bill specific provisions regarding the proportion of Indian capital or specific restrictions upon the proportion of foreign capital. I am prepared to take up separately the examination of questions of that kind and in that examination I am prepared to associate with the Government a Committee of the Legislature appointed *ad hoc* for the purpose. But that is as far as I can go in regard to that matter, and I hope that the House will recognise

that the Government, in agreeing to accept Pandit Motilal Nehru's amendment, have tried to meet them half-way in a very difficult matter. I hope also that the House will accept that amendment as a final solution for the purposes of this Bill of all the questions which were covered by our discussions yesterday. I am anxious to bring those discussions to a close, and I think that since the Government have agreed to accept this amendment, it ought to be on the understanding that all other amendments on the subject of foreign capital are withdrawn. I hope, Sir, that you will be able to accept Pandit Motilal Nehru's amendment as embodying an understanding arrived at between a considerable section of the House and the Government and that you will be able to put that amendment to the vote as soon as possible.

Mr. President : The position now before the House is this, that in regard to the matter that was debated yesterday on Mr. Patel's amendment Government are willing to accept the proposal of Pandit Motilal Nehru that an additional clause should be put in after clause 4 which will meet the requirements of the case and the House may take it that it is agreed on both sides—between Pandit Motilal Nehru and those who support him and the Government—that when this clause is moved they will support it. The House can therefore proceed on that understanding that this clause will be accepted by both sides who arrived at that understanding. The amendment as drafted proposes to add a new clause 5 after clause 4. It will therefore perhaps be more regular to move this after we have finished clause 4. We will therefore proceed to clauses 3 and 4 and dispose of Mr. Patel's amendment and other amendments, the House full well knowing the understanding arrived at that at the proper time this additional clause will be inserted in the Bill.

Mr. Jannadas M. Mehta : (Bombay Northern Division : Non-Muham-madan Rural) : Is the Committee mentioned to be elected by this House or nominated by Government ? That is not clear.

The Honourable Sir Charles Innes : I have not really considered the point. What I said was that I was prepared to associate with Government a Committee of the Indian Legislature appointed *ad hoc* for the purpose. I still keep my mind open whether we should select members from different parties, or whether we should allow the House to elect a proportion of the members of the Committee.

Mr. Jannadas M. Mehta : Much will depend upon this point and it should be made clear.

Pandit Motilal Nehru : I understood that the Committee was to be elected by the House and I insist that it should be so elected.

The Honourable Sir Charles Innes : I have no objection to that portion of the Committee which will be filled from the Indian Legislative Assembly being elected by the House.

Mr. President : I will now put Mr. Patel's amendment.

Mr. V. J. Patel : Mr. President.....

Mr. President : We had a full debate yesterday on this amendment. We cannot debate it further.

Mr. V. J. Patel : Will you allow me to explain to this House that there has been some understanding arrived at between Pandit Motilal Nehru and

those who think with him on the one hand and the Government on the other, and you have asked the House in voting on my motion to keep that understanding in view. That being so, it is absolutely necessary, before we proceed to vote, for the Members of this House to understand what is the scope and purpose of the proposed amendment of the Pandit and how it is that I and those who think with me do not accept it. It is absolutely necessary for the House to know the other side before they proceed to vote on my amendment. Otherwise, they are likely to be misled. If you will allow me I will explain very briefly what I want to say.

Mr. M. A. Jinnah : (Bombay City : Muhammadan Urban) : May I point out that it is entirely within your powers under the Standing Orders. Ordinarily no doubt an amendment relating to a particular clause is taken in its proper order but it is entirely within your powers, if it be objected that two clear days' notice is not given, to suspend the rule on that point, and it is entirely within your powers to take up this amendment at any time you like and deal with it and ask the House to decide upon it. Ordinarily the procedure is that each amendment must be taken up which relates to that particular clause. This amendment of Mr. Nehru relates to clauses 3 and 4 and you cannot separate these two clauses, and therefore it is open to you to rule that you will take it up now.

Pandit Motilal Nehru : May I be allowed to explain in one word the reason why I have made it a separate clause. It will be seen that it is really an amendment, as Mr. Jinnah has put it, both to clauses 3 and 4. It is merely as a question of drafting the amendment so as to cover both these clauses. It is for this purpose that a separate clause has been proposed. It is really an amendment to the proposition before the House as put by Mr. Patel, but inasmuch as the same proposition will be before the House in connection with clause 4 and in order to avoid repetition, as a mere matter of drafting I have put it as a separate clause, the subject-matter being the same.

Dr. H. S. Gour : (Central Provinces Hindi Divisions : Non-Muhammadan) : I wish to point out....

Mr. President : Order, order.

Dr. H. S. Gour : Will you kindly allow me.....

Mr. President : Order, order.

(At this stage Mr. V. J. Patel rose.)

Mr. President : Order, order. I had indicated that I would follow a particular procedure, but it is perfectly open to me to alter the procedure. It is perfectly open to the Chair to so regulate the proceedings as to facilitate a proper decision by the House. I therefore decide that I will take this new amendment first and for the present keep back Mr. Patel's amendment. It is perfectly open to the Chair to take the clauses in such order as it thinks will facilitate a proper decision of the matter by the House. I therefore will allow Pandit Motilal Nehru formally to move this amendment.

Pandit Motilal Nehru : I formally move the amendment which has already been read out to the House.

Mr. President : Amendment moved :

"That clause 5 be re-numbered as clause 6 and, after clause 4, the following clause be inserted :

'5. Notwithstanding anything contained in section 3 or section 4, no bounty in respect of steel rails, fish-plates or wagons shall be payable to or on behalf of any company, firm or other person not already engaged at the commencement of this Act in the business of manufacturing any one or other of such articles, unless such company, firm or person provides facilities to the satisfaction of the Governor General in Council for the technical training of Indians in the manufacturing processes involved in the business and, in the case of a company, unless—

- (a) it has been formed and registered under the Indian Companies Act, 1913; and
- (b) it has a share capital the amount of which is expressed in the memorandum of association in rupees; and
- (c) such proportion of the directors as the Governor General in Council has by general or special order prescribed in this behalf consists of Indians."

Pandit Madan Mohan Malaviya : (Allahabad and Jhansi Divisions : Non-Muhammadan Rural) : I wish to speak on this amendment and to make a proposal to add a proviso to it which I hope will make it acceptable to all sections of the House.

Mr. President : We had a full day's debate on the subject-matter of these amendments and I am not going to allow any repetition of that debate. If the Honourable Member has any suggestion to make with regard to this amendment I will hear him.

(At this stage Pandit Madan Mohan Malaviya rose.)

Mr. V. J. Patel : When a new matter is introduced into this House

Mr. President : Order, order. Pandit Madan Mohan Malaviya is in possession of the House.

(At this stage Dr. H. S. Gour rose.)

Mr. President : Order, order.

Pandit Madan Mohan Malaviya : I am glad that the Government have come down to the extent which is indicated by the proposal now before the House. I congratulate them on it. I shall congratulate them further if they will see their way to adopt another suggestion which I am going to place before the House. This amendment says :

"Notwithstanding anything contained in section 3 or section 4, no bounty in respect of steel rails, fish-plates or wagons shall be payable to or on behalf of any company, firm or other person not already engaged at the commencement of this Act in the business of manufacturing any one or other of such articles."

unless certain conditions are fulfilled. Now, the granting of a bounty to any firm which is not in existence to-day is a matter primarily and essentially in the power of this Assembly, for it means an application of taxes raised from the people. This was distinctly recognised in a similar legislation which was resorted to in England, and there they made a distinct provision that though the Board of Trade acting on the advice of the Committee which was appointed under the Safeguarding of Industries Act, 1921, should have the power to propose such an order, the order must be laid before the House of Commons under certain conditions for their approval. I therefore suggest that we should add a similar clause here to the clause which has now been proposed. The clause would run like this—I am borrowing the language of the Safeguarding of Industries Act, 1921, section 3, with the necessary modifications :

"(b) If at the time when it is proposed to make any such order as is referred to in the earlier part of this section (namely, an order for the payment of a bounty to a firm or company which was not in existence on the day this Act was passed), the Indian Legislative Assembly is sitting or is separated by such an adjournment or prorogation as will expire within one month, the draft of the proposed order shall be laid before the Assembly and the order shall not be made unless and until a Resolution is passed by the Assembly approving of the draft either without modification or subject to such modifications as may be specified in the Resolution, and, upon such approval being given, the order may be made in the form in which the draft has been approved.

(c) In any other case (that is to say, if the Assembly is not sitting), an order may be made forthwith, but all orders so made shall be laid before the Assembly as soon as may be after its next meeting, and shall not continue in force for more than one month after such meeting unless a Resolution is passed by the Assembly declaring that the order shall continue in force, either without modification or subject to such modifications as may be specified in the Resolution; and, if any modifications are so made as respects any order, the order shall thenceforth have effect subject to such modification, but without prejudice to the validity of anything previously done thereunder.

Any order approved or continued under this sub-section shall have effect as if enacted in this Act."

I request the Honourable Member in charge of the Bill to be good enough to consider this provision which is merely an extension of the principle upon which this Bill is based, which is that the payment of a bounty has to be sanctioned by this Assembly. You cannot sanction the payment of a bounty to a firm or company which has not come into existence. The English Act recognised this principle even in the case of companies which were in existence when the Act was passed, but here I wish it to be recognised in the case of companies which have not come into existence. The Act should not empower the Government to make payments of bounties to companies which may come into existence in the future; all that should be allowed, is that the Government should have power to propose such an extension, and that, as is only natural and reasonable, the matter should come before the Assembly for final decision if the Assembly is sitting or is likely to sit within a month. If the Assembly is not likely to sit within a month, then the proviso which I have suggested will authorise the Executive Government to make an order, but that order the Executive Government should be bound to lay before the Assembly at its next meeting, and the continuance of that order or its suspension or modification should be entirely a matter in the discretion of the Assembly. I submit, Sir, that this proposal will merely uphold the principle upon which the payment of the bounties is sanctioned, and I therefore commend it to the Members of Government. I hope they will accept it and if they will accept it, I hope my friend Mr. Patel will see the desirability of not pressing his amendment.

The Honourable Sir Basil Blackett: (Finance Member): I desire to say at once on behalf of Government that it is entirely impossible for us to accept any such amendment. Every Indian schoolboy knows, in spite of the bad education which we were told yesterday that he gets (*A Voice*: "Imparted by the Government"), that the Honourable Pandit can make a long speech at short notice on any subject. The matter which he is now seeking to introduce is entirely new. It is an amendment of which we should have to insist on proper statutory notice, an amendment which we could not accept as an amendment to the clause which we have offered as a final solution of the difficult matter that we discussed yesterday. It is not a final solution. I will give the House one reason why it would be quite impossible

on merits to accept any such amendment. The object of this Bill, as we stated yesterday, and as was stated many times, is among other things to encourage internal competition with the existing iron and steel companies in India. If any new company which may hereafter be formed in India is not assured, subject to certain conditions, of receiving the bounty which is offered by the Bill but will have to wait until the question whether or not that particular company is to receive the bounty has been discussed in the Legislative Assembly, then the offer of a bounty entirely fails of that object. I should add that we are of course at this time talking in rather a hypothetical region because this Bill as it stands lasts only for three years and the probability of a new company being founded and producing these articles within the period in question is a remote one. None the less the principle which is proposed is entirely unacceptable, and I am afraid that I must say at once that we cannot agree to extend beyond what we have here drafted our proposals in regard to meeting the desire of this House on the matter of importation of capital from abroad. After all the Honourable Pandit Madan Mohan Malaviya's proposal really raises an entirely new subject. It does not even concern the subject of the importation of foreign capital. It is the subject of the extent to which in certain circumstances the Executive should be subject to detailed restraint by the Legislature, a very big subject but not I think one which we can usefully discuss at the present moment. In view of the long discussions we had yesterday and of the fact that a considerable body of opinion on both sides of the House is prepared to accept this amendment and that the whole subject was discussed up and down yesterday, I would appeal to the House to bring this discussion to an end and to vote here and now on the clause that we have before us.

Mr. V. J. Patel : I will not take more than two minutes. I desire to explain why I cannot see eye to eye with my friend Pandit Motilal on this amendment.

Mr. President : I must first dispose of Pandit Malaviya's suggestion. The addition that he proposes to make is an amendment which introduces a new subject altogether and I cannot allow that. What we are discussing is Pandit Motilal's amendment. What does the Honourable Member for Bombay want to address the House on ?

Mr. V. J. Patel : On Pandit Motilal's amendment.

Mr. President : We have had a full debate on this subject and I cannot allow further discussion.

Mr. V. J. Patel : I just want to say why I cannot see eye to eye with this amendment of Pandit Motilal. I will not take more than two minutes if you will allow me.

Mr. President : Please be short.

Mr. V. J. Patel : When I saw this amendment at 10-30 this morning, I was considering whether under this amendment of Pandit Motilal Nehru it will be permissible for Government to give a bounty to the United Steel Corporation of Asia, and reading it clause by clause I came to the conclusion that it was not only absolutely open to the Government but that they would be bound to give bounties to that company. Clause 3 of the Bill requiring

Government to give bounties to companies with foreign capital remains unaffected by this amendment and my original objection against the inroad of foreign capital as a result of the passing of this Bill stands good. The next thing I want to say is with regard to the proportion of directors. I said that the clause regarding directors in the amendment should stand as follows "such proportion of the directors not less than half as the Governor General in Council has by general or special order prescribed in this behalf consists of Indians." That suggestion was also not acceptable to Punditji and the Government. The whole thing is thus left in the hands of the Government. They will fix the proportion of directors. So any foreign company will get bounty and the whole objection on which my amendment was founded remains as it is.

Mr. President: I will now put Pandit Motilal Nehru's amendment to the House. I have already read it. Those who are in favour of the amendment will say "Aye" (*Cries of "Aye"*). Those who are against the amendment will say "No". (There were a few cries of "No".) I think the "Ayes" have it. (*Cries of "No"*.) The volume of sound for "Ayes" is so preponderating that I do not think a division is necessary.

The motion was adopted.

Sardar Bahadur Captain Hira Singh: (Punjab: Nominated Non-Official): Sir, I beg to move the following amendment:

"In paragraph 7 of the Schedule in the proposed Part VII, item No. 143 be deleted. Also that the following additional articles be excluded from the operation of the Act, namely, *kurahis, taslas, dols, kharpis, hausias, plough blades, axes, and gandases.*"

Mr. President: Your amendment is only this:

"That in paragraph 7 of the Schedule in the proposed Part VII, item No. 143 be deleted."

That is the only amendment before the House.

Sardar Bahadur Captain Hira Singh: Very good, Sir. In moving this amendment, Sir, I have in mind that a large mass of the inhabitants in this country, and more particularly those in the Province from which I come, to whom the simple implements and utensils which I have mentioned in my amendment are as necessary for the simple purposes of their daily lives—perhaps even more so—than that simple article of diet, namely salt, about which all my friends in this House have been so insistent and eloquent on political platforms all over the country and in this House. Those people, Sir, of whom I am one, have not the ability to follow principles of high finance. They cannot visualize the far-reaching consequences of policies, however virtuous and national those may be, which strive to enforce the abstractions of economic genius. But, Sir, they *do* understand the common facts of life. They *can* visualize in their daily struggle for existence the effects, if not the causes, which surround them.

And the effects which they will visualize are these:

- (1) The prices of simple agricultural and domestic implements will go up 50 or 60 per cent.
- (2) Municipalities and District Boards will require more money to meet the increased cost of their necessary works and operations, and will enhance their local rates.

- (3) The annual maintenance and renewal charges of factories already established, and the higher cost of establishing new factories, will cause an increase, will cause a proportionate increase, in woollen, cotton and leather goods.
- (4) The natural consequence of all this will be a general rise in the cost of living. Wages of agricultural and all other labour will be increased.

And at the end of it all, Sir, what is going to happen ?

So far as the agriculturist is concerned, this is what will happen. He will have to pay more—

- (1) on all domestic utensils made of iron and steel ;
- (2) on all house-building materials made of iron and steel ;
- (3) to Municipalities and District Boards for their taxes ;
- (4) in all agricultural implements ;
- (5) on wearing apparel.

May I ask, Sir, what ultimate benefit will the people whom I represent reap out of all this ? Nothing that I can see save the dismal satisfaction of knowing that some wealthy compatriots of his have succeeded in assuring their position in the dim financial world.

I am speaking, Sir, more particularly on behalf of the millions of Punjabi agriculturists who are not industrious nor labourers and have no concern whatever with the distant factory at Jamshedpur which has succeeded, mainly by bad management we are told in getting its affairs involved in some sort of financial tangle.

But however that may be, Sir, I appeal to this House, if it really considers that it is for the good of the country that this Bill should be passed,—I appeal to my Swarajist friends, I appeal to the Government Benches, to consider the unfortunate plight of the millions of agriculturists, on whose behalf it has before now been contended that even an increase in the cost of living of 3 annas per head per annum is a hardship. And if my amendment is not accepted to-day, the hardship which they will suffer out of this Bill will be fifty times greater than that.

Sir, finally, we have heard a great deal in this House about the exploitation by foreign capitalists of Indian labour and Indian natural resources. But I am not aware, Sir, that any single Member in this House has mentioned in this debate the exploitation of the petty farmer, the zemindar, the agriculturist of India by the local Bunias and money-lenders of the villages of India. Sir, it is not necessary to prove the truth of the saying common among us that the agriculturist is born in debt—he lives in debt and he dies in debt ; his patrimony is shared by a dozen different middlemen. Yet, Sir, it is these stalwart yeomen who are the bulwark of India from whom millions of gallant Indian soldiers are drawn ; and I think, Sir, that even above the importance of establishing or bolstering up the steel and iron industry, it is necessary to support and preserve from any further exploitation the agriculturist of India.

I, therefore, submit my amendment to the consideration of the House.

The Honourable Sir Charles Innes : Sir, Captain Hira Singh proposes that item 43 should be omitted from the Schedule. Item 43 proposes that the duty on five kinds of agricultural implements should be raised from 15 to 25 per cent. Now the explanation of this proposal made by the Tariff Board is given in Chapter 6 of the Tariff Board's Report. The House has got to remember that if we are going to have a proper steel industry at all in India, that steel industry will lead to the growth of a whole family of subsidiary industries round it. It is a basic industry and these subsidiary industries grow up round it. That is exactly what is happening at Jamshedpur now. One of these subsidiary industries is a company called the Agricultural Implements Company. The Tariff Board say that with a small measure of temporary protection we shall assist this agricultural implements industry to make good, and that is the reason why they have proposed this enhancement of duty on these very few classes of agricultural implements. My Honourable friend Captain Hira Singh suggests that if we agree to this enhancement we shall be imposing a very heavy burden upon the cultivator and the agriculturist; but, Sir, I am afraid that I must challenge that statement. These machines are machine-made implements and they are used more by the railways, irrigation works, local bodies, mines and large plantations than by the ordinary cultivator or agriculturist. The Tariff Board definitely examined that point, and if Captain Hira Singh will read the report, he will find that they do not consider that these enhancements will have much effect upon the agriculturist. On the contrary, their definite conclusion is that the direct effect upon the agriculturist of all their proposals is likely to be almost negligible. In these circumstances I am afraid that the Government must oppose Captain Hira Singh's amendment.

The motion was negatived.

Mr. President : The next amendment is Dr. Gour's to insert an item 154 after item 153 :

"Locomotives and parts thereof, *ad valorem*.....30 per cent."

That means augmentation of taxation and is out of order.....

The next amendment is Mr. Singha's, to substitute the figures "20" for the figures "25" in item 154.

The amendment was not moved.

Mr. President : The next is Dr. Gour's amendment, No. 76, to restore item 155 which was omitted by the Select Committee.

Mr. V. J. Patel : May I rise to a point of order. Any proposal which affects the revenue must emanate from the Crown. This is a non-official proposal which is now being put.

Mr. President : The proposal originally emanated from the Crown and the Select Committee took it out. The recommendation of the Crown still subsists.

Dr. H. S. Gour : Sir, I beg to move :

"That the clause which was originally a part of the Bill as referred to the Select Committee and which the Select Committee have decided by a majority of votes to omit be restored."

The reasons which induced the Honourable Members of the Select Committee to vote for the omission are briefly these. The protagonist before the Select Committee was my friend sitting on the right and I have no doubt...

Mr. W. S. J. Willson : (Associated Chambers of Commerce : Nominated Non Official) : On a point of order, Sir. Has it not been ruled in this House, Sir, on a motion of Dr. Gour himself, that the proceedings in the Select Committee should not be discussed here ?

Dr. H. S. Gour : My Honourable friend is perfectly right and I am not discussing the proceedings in the Select Committee. (*Voices* : "You are.") I apologize to my friend Mr. Willson. The reasons which have induced the protagonist of the motion for deleting this clause appear to me to be as follows.

It is suggested, Sir, in the Report of the Select Committee, to which I draw the attention of the Honourable Members of this House, that the reason given for deleting this clause is stated in paragraph 11 in the following terms :

"We have carefully considered the chapter of the Tariff Board Report which relates to the protection of the manufacture of tin-plates, and the majority of us think that the difficulties experienced by the only company which it was proposed to protect are due to excessive capital expenditure and are not such as to warrant assistance from the general tax-payer."

That, I submit, is an inaccurate statement if we refer to the Volume of Evidence in which we have the opinion of the Government Metallurgical Inspector who, at page 53 of Volume II of the Evidence of the Steel Industry report, speaks on this very question in the following terms. He says :

"One of the drawbacks which you say the company suffer from by operating their plant in Indian climate is that it is not possible to keep the plant in operation during the whole of the year but they have been able to operate the hot mills during the whole of this year very successfully by constructing water-cooled floors, loftier buildings, more spacing between the mills and so on. These are the methods employed by the Company for overcoming the climatic disadvantage. On these they have spent a considerable additional sum of money. When I was in England a few months ago I found that the tendency in sheet mills was to do exactly the same thing and I saw one galvanised sheet mill in which the building was roughly speaking as high and the spacing about as generous as here. I saw that air draughts for cooling the men were also supplied. It looks to me as though the line the Company have taken is the line of general development in sheet mills and tin mills throughout the world. In America the tendency is in the same direction."

Then, Sir, at page 54 we have the statement by the same expert in the following terms. Replying to Mr. Leyshon, Mr. Mather said :

"Therefore your extra expenditure on cooling apparatus and so on is a minor matter of business efficiency."

And he goes on to say :

"It would not necessarily raise your total cost. There may have to be more in the capital account. But since you will be able to get your plant working the whole year it will reduce your working cost by a corresponding amount."

Later on on the same page we find the following statement :

"It is therefore fairly obvious that the Tin-plate Company if they have the capital resources available could undertake to produce the whole of the present demand of India. But you said that if the Company were likely to get an unreasonably higher price for tin-plates competition would start up."

Now, Sir, the charge against the Tin-plate Company is briefly this. This company was started with the initial capital of 75 lakhs of rupees and in actual construction cost something like 150 to 160 lakhs. The estimate was nearly

double. This fact was brought to the notice of the Tariff Board who deal with this question at page 122. They say that the cost of the estimates was exceeded for two reasons: first, on account of the rise in the cost of prices generally and secondly, the alterations in the design to render the works more suitable to Indian conditions. That, I submit, is a reason which the Tariff Board presumably accepted as adequate for recommending protection to this Company. I therefore, submit that on the first ground, namely, that the Tin-plate Company is overcapitalised—a statement which on examination will be found to be inaccurate, especially in view of the view taken by the Government expert who served on the Tariff Board as a co-opted technical adviser—that the main ground given by the Select Committee for rejecting protection to the tin-plate industry, on closer examination falls to the ground. Now, Sir, what are the other reasons that warrant rejection or might be considered to warrant rejection. It has been said—and I have no doubt that it is a statement which is likely to be repeated here—that the Tin-plate Company is not able to produce, and will not during the next 3 years produce, sufficient quantity of tin-plates required for the country. Well, Sir, the total imports of tin-plates in this country is about 50,000 tons, of which the Tin-plate Company are estimated to produce 28,000 tons. The Tariff Board in their report point out—and it is a statement again borne out by Mr. Mather's statement in the volume to which I have referred—that the plant of this company is designed for future expansion. I therefore submit that the mere fact that this company at present produces, or is estimated to produce, 28,000 tons of tin-plates and will not therefore produce the full quantity required for consumption in this country is no reason for refusing it protection. Then, Sir, it has been said that the Tata Iron and Steel Co. are in partnership with the Burma Oil Company who hold about two-thirds of the shares in this company, and to protect the steel industry is to extend the protection to the Burma Oil Company. I think it has been stated here on the floor of this House on several occasions—and I submit might be repeated with advantage once more—that we are not protecting any particular individual or company. The fact that any particular company will receive protection is purely incidental and accidental. What we are protecting here is the manufacture of tin-plates in this country.

I, therefore, submit that we cannot go into the details of the partnership between the Tata Iron and Steel Co., and the Burma Oil Company. It has also been said that this company is overloaded with debentures at a very high rate of interest, namely, 10 per cent. But, Sir, in the year when these debentures were issued, it has not been stated that they were not issued at the then fair market rate, and I have no doubt that if any Honourable Member is anxious to secure a portion of these debentures, the Tin-plate Company would be only too glad to part with them. I therefore submit that the question about the debenturers is equally irrelevant. Then it might be said, Sir, that the Tata's have entered into a disadvantageous contract with the Burma Oil Company. The Burma Oil Company are under the contract bound to receive from the Tata Iron and Steel Company tin-plate to the extent of about 21,000 tons, and the Tata Company would be free to sell in the market only 7,000 tons. And, consequently, it is said that if you give protection, you are giving protection to the producers of a very small quantity of tin-plate which would be thrown for sale upon the open market.

Pandit Shamlal Nehru : Is it impossible for Tatas to turn out more tin-plate ?

Dr. H. S. Gour : Is it impossible for Tatas to turn out more tin-plate ? My friend Mr. Shamlal Nehru has already answered that question. It all depends on the protection you give them. The House must remember that if for any reason you refuse protection to the Tin-plate Company, you refuse protection to the steel industry, and for this reason Tin-plate is made from second-rate steel which does not come up to the standard of British specifications. That second-rate steel is utilized by the Tata Iron and Steel Co. in the manufacture of tin-plate, and if you refuse protection to the Tin-plate Company, you will be forced to extend protection to the material which the Tata Iron Company would not be able to profitably utilize. Then, Sir, there is the poor man's argument that tin-plates are converted into kerosene oil tins, and these kerosene oil tins will become dearer in price. Well, Sir, I will leave Sir Charles Innes to deal with this poor man's argument. I beg only to suggest in this connection that the primary function of this House is to see that it carries out the main purpose of the Bill to which it stands committed, namely, that India must be, as far as possible, self-reliant and self-dependant for the production not only of iron rails and iron bars, but for the production of all steel requirements of the country.

Mr. Bipin Chandra Pal : The requirements of the B. O. C.

Dr. H. S. Gour : We are told, Sir, why should we help in protecting the requirements of the B. O. C. ? My friend probably forgets that B. O. C. do not consume the entire output, present and possible, of the Tin-plate Company and the other companies that may rise in its wake. I have already said that the total consumption of tin-plate in this country is 50,000 tons, of which the B. O. C. utilise only 21,000 tons. The rest of it I am told is used in making tea boxes, receptacles for oilmen's provisions and things of that character. With the development of industries in this country the necessity for tin-plate in making these boxes will become daily more insistent, and I think you will be starving those industries which depend upon the cheap production of tin-plate in this country if you do not give the Tin-plate Company the protection which, I submit, it deserves. It has been said that the Tariff Board in their report were somewhat doubtful about the recommendation which they formulated. Well, Sir, I have not seen—I have gone through this report—but I see no note of interrogation in their recommendation. They have no doubt passed in review all the objections which have been raised against protection to this Tin-plate Company. Most of them I have placed before this House. They have given a reply to most of these objections and they wind up their recommendation by saying—I am reading from page 126 :

"In itself the establishment of the tin-plate industry in India is clearly desirable and we believe there are good chances of success. Some assistance seems to be necessary for the next 2 or 3 years but we are clearly of opinion that it should be limited to the minimum which will suffice to keep the company going until it is in a position to stand alone."

This is a recommendation coupled with words of caution, and I do not think that we can improve on this recommendation made as it is after full examination of the facts which are set out in this chapter dealing with this special industry. I therefore submit, Sir, that the Tin-plate Company deserves

protection and it should receive protection at the hands of this House. I move my amendment.

Mr. W. S. J. Willson : Sir, in all questions of protection to be granted in the future this House, it seems to me, must stand in the position of judge and jury. I would like to know what jury, hearing Dr. Gour state his case which amounted to no more than the negation of a lot of things which he said had been stated but which the House had not heard, would be convinced. The position of this House must I say be that of a jury and it is for this House to be satisfied, when any company or any industry puts forward its claim to protection, that it must make out a case. In giving protection we must be extremely careful what we do and we must be satisfied in every case that it is right and reasonable that it should be given. My objection to this particular protection is based on the ground that a case has not been made out. Now I ask any Member of this House to read the cross-examination of Mr. Townend on page 50 of the Evidence—Vol. II—by Mr. Ginwalla and to say if after reading that he can come to the conclusion that even Mr. Ginwalla was satisfied in his own mind that the case had been made out ? Now, Sir, I have attempted to apply a commercial mind to this question and I offer these criticisms upon it. I in no way wish to be hard upon any industry. We all admit that certain industries require protection but the Tariff Board have said all along that it is not up to us to provide protection for shareholders' dividends. If you can prove that an industry is at a disadvantage or under a handicap and that protection will enable it to manufacture its goods at a profit, then you may be justified in giving it ; but my submission is that we are not, on the information so far before us, justified in assuming that this company cannot work without our protection.

Dr. Gour quoted the case of the Company. It is this. The Company was floated in 1920 on estimates prepared the year before. The capital was 75 lakhs of rupees. I do not deny that these works are probably the finest tin-plate works in existence, and they ought to be that since they are the most up-to-date, and the designers had all the previous experience to guide them. But I say that these estimates, whatever they were, were ill considered ; they were not sufficiently examined, they were not submitted to sufficiently severe criticism such as would be given by any really competent firm of first class managing agents. After the estimates were taken out, we find that, in order to make the plant more suitable to India no less than 68½ lakhs of rupees extra, that is, over and above the original estimates, were spent for that purpose. There was also a loss in exchange. Now, a loss in exchange is dead money, which it is not our business to protect. If at the time of the flotation of this Company the managing agents were so negligent as not to fix their exchange which, mind you, was then at a very high rate, it is not for this House to assist them. I know of many companies who have done exactly the same thing, but none of them have come before this House and asked to be dug out of their grave. Sir, I have been to these works and criticised them with the eye of a not inexperienced managing agent. These works did not appeal to me. They seemed to me to be too extravagant throughout. I do not grudge them their room and their spacing, but I do grudge them a building as high as this Assembly for the purpose not only of making small pieces of tin-plate but for the purpose of actually packing them in boxes.

Can you justify that? Dr. Gour referred to Mr. Mather's evidence on the subject that these works have been built with a view to their being extended later on. Well, then I say it is not a sound practical business principle, to go and put up a much larger building than you want before the day has come for you to use it, is to.....

Dr. H. S. Gour : I think, Sir, there is a misapprehension on the part of my Honourable friend Mr. Willson. I said that these buildings had been constructed for the purpose of keeping them cool so that the factory may work all the year round. That is what I quoted from Mr. Mather's evidence.

Mr. W. S. J. Willson : Did you also not quote from the evidence and say something about extension?

Dr. H. S. Gour : I said that the buildings were so designed.....

Mr. President : The Honourable Members had better address the Chair instead of having conversations across the table.

Mr. W. S. J. Willson : That is the point, Sir, that they have been designed for being extended before the time has come to do it. Therefore, Sir, those remarks, I think, rather justify my case on the ground of extravagance.

Now, Sir, this is my best point. Turn to paragraph 28 of the Report, and you find that after the Company had committed this extravagance, after they had negligently lost their money in exchange, they find themselves hard up and they want to borrow money. Who did they go to? They went themselves to the Burma Oil Company, who were then invited to subscribe for 125 lakhs of debentures at 10 per cent. Ten per cent. on your own money, lent to your concerns! Now, is that right? And are we to be asked to support a concern which, if you turn to Statement No. 1, you will find charges 10 per cent. on its working capital before it shows a loss and then asks you to protect it? Statement 1 shows the cost of production of 100 boxes of tin-plate at Rs. 2,102. They then proceed to add depreciation, which in my view is excessive, as I make it amount to about 6 per cent. of the total turnover for the year, Rs. 135. Then they proceed to add interest on working capital Rs. 64,—an item I shall deal with shortly—then interest on debentures representing fixed capital (10 per cent. on Rs. 85 lakhs) Rs. 137, and then of course interest at 6 per cent. on Rs. 75 lakhs—the original capital, and so they swell the whole thing up to Rs. 2,510—as against Rs. 2,300 the price of the imported tin-plate—showing therefore that there was a loss of Rs. 210 which they ask us to make good. I submit, Sir, that that is entirely wrong. In my commercial experience I have never known a Company justify itself in charging in its cost account an imaginary interest on its ordinary shares. I am quite prepared to admit that in a cost account it is legitimate to charge all interest paid out under each head. I would include interest on debentures, but not at 10 per cent. Now, earlier in the evidence it was stated before the Tariff Board exactly how much of that 125 lakhs was paid up, but the Tariff Board have not been at liberty to pass that information on to us. I rather gather, though I may be wrong, that only 85 lakhs have been paid up but even then I would not pass this charge of 10 per cent. on 85 lakhs as it is too high. The other item, Rs. 64 interest on working capital, I take the strongest possible exception to. We have no evidence that the working capital is Rs. 40 lakhs. If, as the Tariff Board implied, the whole of that

125 lakhs has not been paid up, there cannot be 40 lakhs of working capital, nor do I see any necessity why there should be. The Tin-plate Company are exactly next door to the Tata Works. They can get their steel almost daily as it is required. There is no occasion for them to keep a large stock of steel for fabrication purposes and when I visited the tin-plate works the large stock was not there. Then again, there is no need to keep a large stock of manufactured tin-plates because the Burma Oil Company take three-fourths of their production and presumably the Burma Oil Company are in a position to pay cash for what they buy. So on the financial question, Sir, I say I object to the inclusion of these items in that calculation and unless they can give us further evidence and put up a very much better case than they have, we ought not to protect the shareholders' dividends. It may be true, it is true, that this is the basis of the agreement between the Tin-plate Company and the Tata Company but that is a totally different thing.

And now, a few words on that side of the question. Dr. Gour tried to make one of his points that if you wish to protect the steel industry you have to protect the tin-plate industry which is steel. Now that I directly deny. The Tin-plate Company is in existence. The Tin-plate Company has an existing contract with the Steel Company for the supply of plates for 25 years. Therefore that cuts the ground away from Dr. Gour's argument. The steel is bought for 25 years. Therefore the actual selling of that steel requires no further prop up.

Mr. M. A. Jinnah : It does. Supposing the Company goes into liquidation ?

Mr. W. S. J. Willson : Oh ! then they would probably recapitalise it on a different basis. I have said that we are not here to protect dead capital. But let me get back to the point of the steel. The Tata Company had obviously all the worst of this argument between themselves and the Burma Oil Company. The best brains have been on the side of the Oil Company and they have got the best of this bargain. The bargain is to supply the steel to the Tin-plate Company for 25 years at a price which cannot pay the Tata Steel Company. Therefore we have in effect in the first instance given a protection to the Tin-plate Company by giving them cheap steel below cost price. That is one protection which we have given. Having given that, they ask us for another and in the evidence they had the impudence to ask for an import duty of not less than 45 per cent. and they asked it for ten years ! The Tariff Board have certainly done a great deal in cutting it down as far as they did but in my view they have not gone far enough. A great deal has been made of the added costs out here, but no allowance has been made for the much cheaper land that you get, the reasonably cheap coal and electricity and the fact that you have no freight to pay on your raw steel. Therefore, Sir, I have said that I refuse to protect this company on the ground of its calculations of cost.

The third ground is that this is not in any sense a national or even a public industry. As Dr. Gour says, the country's requirement of tin-plates is 50,000 tons per annum. This company programmes to make 28,000 tons out of that. Of these 28,000 tons 21,000 tons are under contract to the Burma Oil Company who can take the lot. As a matter of fact, they can

take the whole of the 28,000 tons. They can take the whole lot for 25 years and have the option to go on taking it after 25 years. Therefore, Sir, this company is only programming to make 7,000 tons for the public trade of India, and, in order to protect this company and enable them to get a little higher price for the 7,000 tons which they have to sell, it is proposed that we should impose a tax on the whole of the 24,000 other tons which have to come into India for the public use. In drawing up the schedule for the protection of steel the Tariff Board or the Government—I do not know which—have been careful to differentiate in the tariff between certain steels which come into India and compete with the Tatas and certain steels which do not. In the tariff item on tin-plates there is no attempt to distinguish between the class of tin-plate which is made by the Tin-plate Company and other classes of tin-plate which are required by the country and which are not made by the Tin-plate Company. Surely this is an injustice.

Now, Sir, I have had representations made to me from certain industries. The tobacco packers, the tea packers, who pack a pound of tea at a time, all tell me that this Tin-plate Company do not make the class of plate that they require. They do not make the gauge, that is, the thickness of the plate that is required for the packing of foodstuffs. They only manufacture at the present time a class of plate suitable for kerosene oil tins and a certain amount of inferior quality of that same gauge. The packing companies tell me further that before this Tin-plate Company, which is asking in this way for an unqualified protection for everything they make, is in a position to supply the needs of the packers' trade, which, mind you, is consumed by the major portion of the Indian public, it would be necessary for them to import some entirely new plant, that this could not be done and run for a year at least and that the Tin-plate Company we are now considering are not in a position to supply tin-plates of many of the sizes and gauges on which it is proposed to increase the tariff wall. Therefore, Sir, on all these grounds I say that a case has not been made out yet for the protective duty on tin and that we ought not to allow it.

I think I have dealt with all the points made by Dr. Gour except the "poor man's" argument which has nothing in it. But if you agree to put up the price of tin-plate there is one feature only in the Tin-plate Company's point of view. It will make their partners, the Oil Company, pay more for their tins and it will make you pay more for your kerosene oil. I therefore do submit that it is not for this House, as the case stands at present made out, to impose a duty on the whole of the import of tin-plate in order to bolster up this one company.

Pandit Sham Lal Nehru : I move that the question be now put.

Sir P. S. Sivaswamy Aiyer : I wish to make a few remarks in support of the amendment which has been moved by my Honourable friend Dr. Gour and which is identical with the amendment of which I have myself given notice. In the remarks made by the Honourable Mr. Willson he has treated this provision for the protection of tin-plate as if it were applicable only to the Tin-plate Industry Company now in existence. This provision would be equally applicable to any other tin-plate manufacturing company which may be started. The charge of over-capitalisation is one which has been

brought forward only against the Tin-plate Industry Company which is now in existence. Now, the reasons for granting protection for the manufacture of tin-plate in this country are given succinctly by the Tariff Board in their report. There are two grounds put forward by them. One is the necessity for a greater expenditure in the matter of buildings and in the matter of equipment as compared with European or American countries, and the other consideration referred to by them is the necessity of importing skilled labour. These two circumstances which are referred to by the Tariff Board must act as a handicap to any company which may be started for the manufacture of tin-plate. As a matter of fact, the necessity for importing skilled labour did act as a handicap even in the case of a country so industrially advanced as the United States of America. Up to 1890 there was no protection for the tin-plate industry in America. Protection was then introduced and the result of the higher tariff was an enormous development in the manufacture of tin-plate. If in the case of a country so progressive, so industrially advanced, as America it was necessary to introduce protection for the purpose of developing the industry, it follows that it must be much more necessary in the case of a country like India.

The real questions before the House now are, is it or is it not desirable to establish a tin-plate industry in this country, and if it is desirable, is it possible for the tin-plate industry to be established without the measure of protection which is recommended by the Tariff Board and which has been adopted in this Bill? On both these questions I think it is possible to give only one answer. The charge of over-capitalisation, as I have already said, can only apply to this particular Tin-plate Industry Company which is now in existence. It cannot possibly apply to other competing companies which may be started hereafter under the shelter of the higher tariff which is proposed to be introduced by this Bill. If we are really desirous of introducing this new industry, and I do not think that that will admit of any difference of opinion, I think we have no other alternative than to agree to this provision which was contained in the original Bill and which unfortunately has been cut out by the Select Committee. Even taking the charge of over-capitalisation against the company now in existence to be true, is it possible to avoid such mistakes in the case of a pioneer industry like this? Mistakes of this kind are, I submit, more or less unavoidable and unless the State is prepared to give some relief to people who come forward to start pioneer industries it will not be possible to induce capital to undertake the risks inevitably associated with the starting of new industries. I therefore have great pleasure in supporting this amendment.

The Honourable Sir Charles Innes: There was one remark in Mr. Willson's speech with which I entirely agree. He said that this was essentially a matter for the House to decide. For that reason, had not Dr. Gour and Sir Sivaswamy Aiyer given notice of their amendments, I myself should have put in an amendment to the same effect in order that this question should not be decided by the Select Committee but by the House. At the same time, Sir, I must frankly admit that I have rather a soft corner in my heart for this industry, and that for two reasons. In the first place, during the war I was Controller of Munitions in Madras and I well remember the colossal prices I had to pay for tin-plate required for the

army. I remember having to pay as much as Rs. 120 a box for this tin-plate, tin-plate which is now selling at Rs. 20 or 25 a box. That shows how advisable it is, if we can arrange it, that we should have an industry of our own in India, and the second reason is that there are very few countries in the world which have been able to make a real success of the tin-plate industry. I believe I am correct in saying that that industry flourishes on a large scale in only two countries in the world, namely, England and the United States of America. Whatever may be said about the past history of the Tin-plate Company, whatever criticisms may be made about the faults of its estimating,—and may I suggest to Mr. Willson that the Tin-plate Company is not the only company which in 1919 made bad estimates—whatever criticisms of this kind may be made, no one can say that the Company at the present time is not admirably and efficiently managed, and, given a little assistance, there is every prospect of India being one of the few countries in the world which will be able to make a success of this tin-plate industry. That is one of the reasons why I say that I have a soft corner in my heart for this industry. I do not propose to deal with Mr. Willson's criticisms about over-capitalisation. There can be no doubt about it that there has been over-capitalisation, but Sir Sivaswamy Aiyer has dealt with the point sufficiently.

Mr. Willson then made a great point of the fact that two or three years ago this Company was hard hit for money and they did not go to the public but went to the B. O. C. They went that is to themselves and borrowed money at 10 per cent. Mr. Willson suggested that there was something grossly unfair in that, but I ask Mr. Willson what prospect there was for this Company to get money from the public at that time. They had not a prospectus, and, if the B. O. C. had not come to the rescue of this Company by advancing this debenture money, the Company must have gone into liquidation. Mr. Willson also suggested that the B. O. C. is the only Company which is going to make anything of this tin-plate. What does it make? If all the debentures have been issued the B. O. C. will have 175 lakhs in that Company. It is not getting one pie of interest on these 175 lakhs, and the only prospect of a return it has is that of being able to buy, if it so desires, two-thirds of the production of the Company at the same price which it would have to pay for imported tin-plate. It does not seem to me that the Burma

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Oil Company is going to get so much out of it after all. The case is admittedly a difficult one. It is fully stated in the Tariff Board's report and what I wish the House to consider is this. You have got to take the thing as a whole. The tin-plate industry is after all a part of the steel industry. Now, if you refuse this protection what will happen? Two things may happen. The tin-plate industry may carry on. If it does carry on for many years it will be a mill-stone round the neck of the Tata Iron and Steel Company. I do not say for a moment that it is the business of this House to relieve the Tata Iron and Steel Company of the consequences of a mistaken or a bad contract; but I do say that if by a small measure of protection you can kill two birds with one stone, then it is worth while going in for that measure of protection. If you give this small measure of protection to the Tin-plate Company you will certainly help the Tata Iron and Steel Company, and I must remind

the House that the scheme which we put up on the recommendation of the Tariff Board for the protection of the steel industry is the minimum scheme which we think will carry the existing industry through the critical next three years. At the same time, while you are doing this, you are giving just that small amount of protection which will enable India to have within its own borders what is after all an extremely useful and valuable industry, namely, the tin-plate industry. If, on the other hand, the Company closes down, then good-bye to any chance of our ever having a tin-plate industry in India. And it seems to me, Sir, that the Tariff Board, balancing the advantages against the disadvantages, came to the conclusion that on the whole the advantage lay in giving this protection to the Tin-plate Company, and I submit that the House would be well advised to adopt that recommendation.

Mr. President : I will put this amendment in the form in which it appears in the name of Mr. Das and Sir Sivaswamy Aiyer as that is the more correct form.

The question is :

“ That in paragraph 7 of the Schedule after item 154, the following new item be inserted :

‘ Item 155. Steel—

(a) Tin-plates and Tinned sheets including tin taggers	Ton.	Rs. 60.
(b) Tin-plates cuttings	<i>Ad valorem.</i>	15 per cent.’ ”

The motion was adopted.

The Honourable Sir Charles Innes : I move, Sir, that the Bill be passed.

I am afraid, that I have made a quite incredible number of speeches to-day, and I do not wish to add to that number, especially as I know that the House is tired, and I am also tired myself ; but I do desire to congratulate the House on what I think is a really good piece of work. It was of course inevitable that in so controversial a matter as a protection Bill, there should be wide and sharp differences of opinion between different sections of the House, but I do hope that the House will recognise that whether the speakers came from the Government Benches here or whether the speakers came from any part of the House, there was only one thought in their minds, namely, they wanted to do what was the best for India as a whole. It has been said, Sir, that when I made my previous speech I seemed as if I had misgivings as to the policy of this Bill. I desire publicly to contradict that statement. I have no misgivings about this policy of protecting the steel industry in India. Whether we look at it from the point of view of protecting the existing steel industry or the point of view of establishing a sound and healthy steel industry in India, I am quite satisfied myself that the policy is the right one. But I would just say one thing more before I sit down. I hope that every time the Government puts forward a Bill for protection of any industry before this House, that this House will examine the Bill with the same care and the same jealous scrutiny that it has applied to this Bill, for in that there is the best safeguard for the consumers in India and for India as a whole.

Sir P. S. Sivaswamy Aiyer : Sir, I have much pleasure in supporting the motion of Sir Charles Innes that this Bill be passed, and in doing so, I should like to congratulate Sir Charles Innes on the skill and the ability

with which he has piloted this Bill. He has displayed unfailing tact and good humour and a spirit of compromise throughout these debates. This Bill has encountered very rough squally weather, and has been tossed about by angry winds and waves, but the skipper has brought his craft successfully to port jettisoning only one item of the cargo. I hope that this may not interfere with the success of the main industry for the promotion and development of which this Bill was primarily intended.

Until I saw the notice of the amendments to this Bill I could not believe that there would be such a diversity of opinions with regard to the provisions of this Bill. I thought that the House had committed itself by a Resolution passed last year to the policy of discriminating protection. I thought that the whole of India was interested in the fostering and development of this great pioneer industry which we owe to the genius and foresight of that great patriot, Jamsetjee Nusserwanjee Tata. I could not in my simplicity believe that this Bill could evoke such varied bitter opposition. Nobody who has watched the debates can say that this Bill has been rushed through in haste or that it has not been subjected to severe and minute criticism from every conceivable point of view. Nobody can say that this House does not listen to any particular school of thought or to the representations made by any person interested in any particular section of the community or in any particular class. Sir, we have listened to advocates of free trade; we have listened to the champions of labour; we have listened to socialists; we have listened to the advocates of the nationalisation of industries; and I do not know whether there is any class or interest which has not been heard in this Assembly and heard with patience. Many amendments have been moved and they have all been patiently discussed. At times it seemed that there was a danger of our forgetting the main issue, namely, the necessity of protecting this premier industry which has been started by Indians and promoted by Indians and is being managed by Indians; but I am glad to find that the collective good sense of the House has prevailed over all these sectional differences, and that the result is one upon which we all may reasonably congratulate ourselves. I regard this piece of legislation as marking an era in the history of British administration and in the economic history of British India. For many years past we have complained of the fiscal policy of Government being controlled and dominated by considerations of Imperial interest, by considerations of what was thought to be in the interests of Britain; but to-day we have passed a measure which is a recognition of our fiscal independence, however qualified some of you may think it is. Its passage is an assertion and an exercise of the right of fiscal independence which was recommended by the Joint Select Committee. I look upon this measure with great gratification as marking the practical recognition by the Government of their duty to identify themselves with the national sentiment, and to take a leading part in fostering and developing the industries of India. I look upon it with great gratification as a tardy piece of reparation for the systematic fiscal policy by which the industries of India were crushed in the past. I congratulate the Honourable Sir Charles Innes and I congratulate the Government upon the successful result of this piece of legislation and I hope it will have a much smoother passage in the other place than it has had here, and a quicker passage too, and I hope there will be no further items of cargo to be jettisoned in the other House. Sir, I think I

may also congratulate the House upon the good sense which has prevailed—upon the collective good sense, as I say, which the House has shown.

In conclusion, Sir, I should like to pay my tribute to the Tariff Board for the impartiality, the ability and the moderation which have characterised their report, for the spirit of conscientiousness with which they went into their inquiry about this question. But for the moderation and impartiality which they displayed in their Report, it is hardly likely that their Report would have commended itself to so many sections of the public and met with the acceptance of the Government as well as of the people. With these words, Sir, I have great pleasure in supporting this motion.

Pandit Madan Mohan Malaviya : Sir, I agree with my Honourable friend Sir Sivaswamy Aiyer that the passage of this measure to-day marks an important date in the commercial history of this country. I also agree with him and the Honourable the Member for Commerce that it is a measure of very great importance, and for that very reason, I think, Sir, I ought not to give a silent vote on it. While I heartily welcome the passing of the Act, so far as it affords protection to a great national industry, the birth and growth of which has been a matter of deep interest to every patriotic Indian, I feel at the same time that the measure as it has been shaped, is much wider in its scope than ever educated Indians demanded, it is much wider in its scope than the needs of the country justify, and I cannot, therefore, give the measure as it stands my support. I feel, Sir, that during no time in the history of the existence of any Legislature in this country has a more delicate, a more important, measure been laid before the House. And for that very reason I regret that the Government did not see their way to accept some very important amendments which were placed before the House. One of these was that which related to restricting the flow of foreign capital into this country. I do not wish to repeat all that I have said on that point, but I do not know that in any part of the world, there is any legislature which has passed a measure of protection of the type, of the scope, of the character, which is before this House to-day. I do not know that in any country the general tax-payer has been taxed and bounties paid out of the taxes, not to indigenous enterprises only but also enterprises which may not be indigenous, which may be entirely foreign. The Bill empowers the Government to extend such bounties to such foreign concerns. I suggested and some other Honourable Members also suggested that there should be a limitation imposed on the extent of foreign capital that might flow into this country on account of the protection which the tariff wall will create. I regret that the Government did not see their way to accept our suggestions. I also suggested as the last proposal, that in the new section which it was agreed to add to the Bill as the result of the conference between some non-official Members and Government Members, two clauses should be added, which I took from the Safeguarding of Industries Act, which would have ensured that, if the Government desired to offer any bounty out of the taxes raised to a company which does not exist to-day, but which might come into existence as a result of the passing of this Act, their proposal should be laid before this Assembly for its approval, and that, if the Assembly was not sitting, it should be laid before the Assembly at its next meeting. That provision was taken from an English Act passed only two or three years ago.

Mr. President : I appeal to the Honourable Member at this stage not to go into the details of the various amendments we have lately dealt with. The discussion at this stage is only of a very general character.

Pandit Madan Mohan Malaviya : I submit, Sir, that on a motion that a Bill be passed, I submit with great respect, every Member of the House is entitled to put forward and to repeat the points which he has urged and which he wants to lay emphasis on, if he thinks that any useful purpose will be served by it and I assure you that I think that there is a useful purpose likely to be served by my recapitulating some of the points, because I want those points to be yet considered by the Government and the House. Now, Sir, I regret that those provisions were not accepted by the Government. I cannot therefore lend my vote to support the Bill as it stands before the House. I recognise, however, I am glad, somewhat relieved, to think, that the Government have agreed to appoint a Committee early to go into the question of what limitation might be placed upon the coming in of foreign capital, of companies with foreign capital to which the provisions of this measure might be extended. I hope that the Committee will soon be appointed and that it will be composed of men who will command the confidence of the House and the country. (*Mr. Jamnadas M. Mehta :* "We have to elect it.") Thank you. But half the Committee only will be elected, as I understood it. I hope that the matter will be taken up early, and will be considered, as the Preamble says, "with due regard to the well-being of the community." That is one circumstance I take note of. The other circumstance that I seek consolation in is that, though the provisions which I asked the Government to incorporate in the Bill have not been incorporated, it is possible that Government may yet recognise the wisdom and the justice of placing before the Assembly any proposal to grant any bounty or bounties to a Company which has not come into existence if they desire to give bounties to any such company. I do hope that the Government will recognise that, if they should pay out of taxes raised by means of this Bill any bounty to companies which are not in existence to-day in India it is only right that they should seek the authority of the Assembly for dispensing those bounties. I hope also that it will be possible, even when the Bill has been passed, for this Assembly to put on record a Resolution recommending such a course to the Government. In that hope, Sir, I will not oppose the Bill. I hope that the Government will yet improve the Bill in the directions which I have mentioned and that the Bill, improved as I suggest and worked with due regard to the well-being of the Indian community, will be a beneficial measure and will promote the good of this country.

Mr. N. M. Joshi : I thank you very much for giving me this opportunity of making a few observations on this Bill when it is about to pass.

Sir, I do not wish to repeat what I have said when the Bill was being considered. But, Sir, I must make it clear that I still hold, after having heard the discussion in this House, that the best method of protecting the steel industry was to nationalise it. But, Sir, as it was not possible for this House, constituted as it is at present, to agree with my view, I have held that I could support a measure for protection if some conditions for safe-

guarding the interests of the tax-payer were included in it. I am sorry those conditions were also not included in this Bill.

When I spoke at the initial stage of this measure, I had also mentioned a few of the grievances from which labourers working in the steel industry were suffering. When I spoke on those grievances here, it did not give me much pleasure. I knew, Sir, when I was speaking on those matters that I was speaking against people who had helped very generously the organisations to which I belong for a number of years in the work which we have been doing in Bombay and elsewhere. I also knew when I spoke about those matters that amongst the people who are associated with the Tata Iron and Steel Company, there are people who had treated their labour much better than many others do. But, Sir, I thought, occupying as I do my place in this Assembly, and having undertaken to speak on behalf of labour it was my duty to voice the grievances from which the Jamshedpur labour had suffered. I am sorry that those grievances have not yet been redressed. But I was glad that, as stated by my friend Mr. Chaman Lal, the Directors of the Tata Iron and Steel Company have agreed to recognise the Jamshedpur Labour Union on the recommendation of a conciliation committee. Sir, on behalf of the labour of Jamshedpur I thank the Directors of the Tata Iron and Steel Company for what they have promised to do. I only hope, that the spirit of generosity which has induced them to make this promise will continue and no prejudices regarding individuals will be allowed to come in the way of the settlement of this question hereafter. Sir, I also expected that the Assembly would so amend the Bill that the interests of labour in the steel industry would be adequately protected. Unfortunately that has not been done on account of your ruling. The interests of other sections have been protected. The interests of the investors, and not only that, but also the interests of Indian investors against those of the European investors, have been safeguarded. Even the interests of people who follow the profession of directors of companies have been protected. But, Sir, no clauses for protecting the interests of manual workers engaged in the industry could find a place in this Bill. I regret that that has been the result of our discussions.

Sir, there is only one point more on which I would like to speak before I sit down. Some time back, I heard remarks from some Members stating that they were tired of hearing of the interests of the poor. Sir, I do not know why the nerves of some people should be affected by hearing that word. If they really do not want to hear the word "poor people" let them see that the poor people do not exist in this country. But as long as they exist, let no one say that he is tired of hearing the name of the poor people. Sir, it seems to me there is an alliance between the representatives of the British Government in this country and the representatives of capitalists in this House, to belittle the burden thrown on the poor people. Levying an import duty on one particular item may be a small burden upon the poor. But if you have small duties upon many articles, that burden may become very large. Sir, the wire nails of Sir Purshotamdas Thakurdas may not alone throw much burden upon the poor. Duty on *kodalis* may put only a burden of one anna upon them. The result of the Lee Commission may place a burden of only a few rupees. But it is our duty to see what is the total burden upon

the poor people in this country and whether they are able to bear it. Sir, I was sorry to find that a Member should have proposed an amendment that the words "the well-being of the community" should be dropped. I had always thought that a policy of protection had its dangers. But I never thought that those dangers would begin to appear so early as that. But, Sir, before the Bill is passed, we have begun to see that the words "the interests of the poor people" have become nauseating to some people. (*A Voice*: "No.") Sir, the words "well-being of the community" have become obnoxious to others. (*A Voice*: "Certainly not.") Sir, a voice says, "certainly not." I am glad to hear it. Before I conclude, may I express the hope that this Bill, although I do not approve of it in its present form, may ultimately prove useful to the people of this country and achieve the object for which it is intended.

Mr. President : The question is :

"That the Bill to provide for the fostering and development of the steel industry in British India, as amended, be passed."

The motion was adopted.

PART II.

Extracts from speeches delivered at the Council of State.

9th June, 1924.

STEEL INDUSTRY (PROTECTION) BILL

THE HONOURABLE MR. D. T. CHADWICK (Commerce Secretary):
Sir, I beg to move:

"That the Bill to provide for the fostering and development of the steel industry in British India, as passed by the Legislative Assembly, be taken into consideration."

Last week I explained to this Council how the Tariff Board came to be appointed and how the first industry which was committed for inquiry was the steel industry. On that occasion this Council wholeheartedly and very completely endorsed the work of the Tariff Board. The Council considered that it is highly appropriate and proper that the first result of the inquiries by this Board into the possibilities of protection should take the form of a total remission of duties. To-day, we have the result of another of the activities of this Board before us in the shape of this Bill, and it follows the lines that are ordinarily associated with protection namely, increase of duties. Protection generally raised many honest differences of opinion. Those differences of opinion become all the more acute when it is a case of actual application of the principle of protection. It is therefore all the more necessary that a condition precedent to the consideration of application for protection, is first of all a full, complete and impartial inquiry. On this point I think the House, whatever they may think of the results of this inquiry by the Tariff Board, will be satisfied. The Tariff Board have served us well. They came to their task new and fresh, but they brought to bear upon it earnest co-operation, determination, good-will and a critical spirit. The result has been that they have given us a report full of matter, and it is open to every Member of this Council on that report to weigh for himself the balance between the possible advantages of protection in this case and the burden of cost to the country. I wish also to pay a tribute to the Tata firm for the way in which they have met every request for information. That was only right and proper. If any industry comes up for help from the State, it ought to be prepared to submit itself to the closest examination. I have heard it suggested that an industry which applies for protection is the best judge of what it requires, since it and it alone knows where the shoe pinches. That may be a comforting theory for the industry, but it is likely to be a disastrous one for the country. I am certain that this House will never endorse such a proposition. We have also, Sir, a further advantage to-day in discussing this matter of economics, in that for the first time we are in touch with realities. We have had other

inquiries into politico-economical questions and several debates upon it. But to-day we have got a concrete scheme before us directed towards a definite end. In one point we are rather too close to realities and that is, that throughout our discussions to-day the fortunes and conditions of one firm will be continually returning to our minds because it is a fact that there is at present only one firm manufacturing steel in India. I need hardly remind this Council that it is inadvisable to discuss here the fortunes and conditions of a particular firm and that it ought to be avoided as far as possible. We are dealing with an industry and not the actions of one company. That company may have had its difficulties. But it stands for a great effort. We can all admire the vision and enterprise of the late Mr. Jamshedji Tata and of his family which has caused a new big industry to rise in India and which has brought into being a large town of 70,000 people where less than 20 years ago there was nothing but jungle. That is a great achievement. Though the path of the Pioneer is often hard, no Englishman will fail to recognise the spirit of the Pioneer. But, Sir, however much we appreciate that effort and however much that achievement strikes the imagination, that does not absolve this Council from deciding whether it is worthwhile to accept this burden of protection.

The report which has been published brings out very clearly what this is. The burden will be a real one.

The broad results of the scheme produced by the Tariff Board are that it will impose upon the country about $1\frac{1}{2}$ crores of additional expense every year. This, on the other hand, will not give the Tatas necessarily enormous dividends. Far from that. The Tariff Board have approached that question carefully. They have not accepted the claims that were made to them by the Company. In calculating their results they have valued the works at a sum less by 4 crores than the amount which has been spent upon those works. The Tata Company asked for a protective duty of $33\frac{1}{3}$ per cent. on all kinds of steel.

The Tariff Board rejected this claim. They have recommended duties only on particular kinds of steel which are made, or are likely to be made shortly, in the country, and then at rates which inquiry showed to be sufficient and which are below this figure of $33\frac{1}{3}$ per cent. In fact, on the Tariff Board's proposals, it will need a great and genuine effort on the part of the Company themselves to achieve what is known as ordinary commercial success, and whether they do so or not will depend upon whether they are able to combine both quality and quantity and to reduce their works costs. The Board have found that the present difficulties in which the Tata Company are finding themselves are due to no faults in the technical management. They expressly exonerate the Company from any such charge.

Now, Sir, I will try to endeavour to summarise the recommendations put forward by the Government for the acceptance of this Council. In the first place, I would ask the House to remember that the issue before the Tariff Board was not the general one of free trade *versus* protection. It was not that. What was referred to them was a clear cut question whether, on the terms laid down in paragraph 97 of the Fiscal Commission's report, and with due regard to the well-being of the community and to the dependence of Government revenues on customs, excise,

import and export duties, a proper claim was made out by the steel industry in India for protection. The Board have answered that question clearly. They say a case has been made out. They have found that the steel industry in India does possess natural advantages. I need not go into this in detail. It is sufficient to point to the fact that, as far as the first stage of manufacture is concerned, namely, the manufacture of pig iron, India at the present moment can produce pig iron probably more cheaply than any other country in the world and exports it not only to Japan and the United States, but has even shipped pig-iron within the last year to the United Kingdom. On that arises at once the question "Why is there any need for protection?" There the Board's answer is also once more clear and unequivocal. They say that at the present moment, in the present conditions in India, it is not possible to manufacture steel at a profit. In fact, it can only be manufactured at a loss. This is due partly—I might say very considerably—to the present conditions in the world, and partly to the conditions in which the steel industry is for the moment placed. The industry is at present perhaps in its most vulnerable condition. The greater extensions have only just been completed. The sheet mill will only come into operation in September next. Labour has not been fully trained. Experience has not been fully gained in the duplex process upon which the Company will largely rely. The time of training labour and of reaching maximum output is always a difficult time for any industry even in normal times, but the conditions to-day are not normal. We are passing through a period of very severe depression in trade, especially in the steel industry throughout the whole world. As a result competition is extremely intense. Before the war the output of steel ingots and castings in the United Kingdom was about 7 million tons a year. In the boom of 1920 that rose to 9 millions. In 1922 it was 6 million tons. There has been a slight recovery but in the United Kingdom the output of steel ingots and castings has not reached the figures of pre-war times. In the United States of America, where of course the output is much larger, before the war it was about 35 million tons of steel ingots annually. Just after the war it rose to about 44 millions and is now back again to 35 or 36 millions. The figures in Germany are not clear, but there before the war it was about 19 million tons, and it is now estimated between 9 and 10 millions. These are figures taken from the returns of the National Federation of Iron and Steel Manufacturers of the United Kingdom, and they indicate that in the steel plants of the world there is a large reserve power of production. Such conditions can only indicate a restricted market and hard and intense competition, and it is in the face of competition such as this that the steel industry in India is passing through the transitional period to which I have already alluded. The Board further find, as a result of their inquiries, that, given time, given breathing space, and given an opportunity of training labour and gaining experience, there is a fair prospect that steel will be manufactured in India in competition with other countries. Those are the grounds upon which the Board based their conclusion that the steel industry in India had made out its claim for protection. The Government accept this finding and in this session have placed before the Legislature the choice whether the steel industry is to be helped in this difficult period or not.

Having answered that question in the affirmative, the Tariff Board came to the more difficult portion of their task and that was to determine the degree, the amount and form of protection. Here, they have exercised, and I think the Council will agree with me, a wise care. I have already stated that they have not accepted the claim for protection blindly. They first of all applied themselves to the question of determining the articles that are manufactured in India or are likely to be manufactured, and they confined their attention to those articles. The result of this has been that a considerable number of articles have been left out entirely—steel tubes, pipes, hoops and strips, machinery, locomotives,—but even so, the articles which they have brought within their net are still numerous. They include beams, girders and all structural steel, steel bars,—a very very big item,—rails, plates, sheets, wire nails. If one endeavours to determine what proportion of the steel imports of the country these articles comprise it seems that they cover between 66 and 70 per cent. of the steel imports into India, excluding of course machinery. Therefore, the number of articles and the range of articles brought within the scope of protection by the proposals of the Tariff Board is a large one.

The next point the Board had to determine is the amount of protection that they would propose, and here they have adopted a system, rightly so, but a system which involved them in a great deal of labour. They endeavoured to determine two limiting figures, one was the price at which steel could reasonably be expected to be sold in India, if produced from an economically built and economically conducted works, so as to realise a small and reasonable profit. They do not set out to ensure a profit to the present steel company in present conditions. They thereby arrived at Rs. 180 as the figure which they thought was a reasonable figure. Having done that, they had to determine the figure which they expected imported steel to come into the country free of duty. This they placed at Rs. 140 after consideration of all the factors and information which they were able to obtain. This figure of Rs. 140 was a weighted price. It was not the price of any particular article on any particular day. It was the price at which the Board came after a full exercise of their judgment and after a careful examination of the trade prices of steel bars as reported in the Trade Journals compared with the prices at which steel was actually being sold in India. This involved them in one other difficulty. It is obviously extremely difficult at any time to make a prophecy about import prices. It becomes doubly so especially at a time, such as I have described, of intense competition between the different steel plants of the world and also at a time when exchanges are fluctuating as they have in the last few years and might possibly do so again. I would only remind the House about the franc. In the last five months you have seen it in the seventies, then up to 110 and back again to the seventies. In those conditions it is very dangerous and very difficult to prophecy, so the Board, on that point, have buttressed their scheme by a proposal which I readily admit has given the Government a great deal of thought and trouble. It is that the Government should take power to raise these duties if they found that steel was being imported into India at a price likely to render ineffective the protection intended by this present scheme. That is a

power that no Executive Government likes, that is a power which no Department cares to exercise. It is obviously going to expose the Government to a continued squeeze, or the danger of a continued squeeze, to the representation that prices have sagged, to the continued assertions of fact that a certain amount of steel has come in at a certain price. Yet there seems to be no escape in the present conditions of the world from accepting that power. I have indicated how exchanges have fluctuated, and they may easily fluctuate again in the same manner. There is no point whatever in imposing a scheme of protection unless it has a fair chance of being adequate for the purpose for which it is intended. That only means placing a burden on the country for no result whatever. It may be necessary to move and to move quickly in an emergency, and for this reason these extraordinary and emergent powers have been asked for by Government and have been incorporated in clause 2 of this Bill. There are also precedents. Somewhat similar conditions have been incorporated in the legislation of the United States and of Australia. These are powers intended for extraordinary situations and to meet emergencies.

Rupees 140 is a weighted price; it is not the price of a particular article on a particular day. Because some person has been able to import an article at a particularly low price is in itself no reason for putting into force these extraordinary powers. The Government will not exercise these powers until after consultation with the Tariff Board who are responsible for determining this original price of Rs. 140.

Before I leave this point, I would also say that during the last three weeks we have rechecked the price of Rs. 140 which the Tariff Board have adopted and find that their major proposition is correct and on the whole satisfactory.

Whilst dealing with these two limiting factors, Rs. 180 and Rs. 140, there are two misconceptions which I would like to try and remove. One is that the proposal of the Tariff Board was that the steel companies in India should be guaranteed Rs. 180 for all the steel they make. That is not the proposal. That is an impossible proposition. There is no question of price control in this Bill. The Tariff Board themselves say that a company must abide by its contracts. Some of its contracts may be good and some bad, but whenever any industry comes before the Assembly for protection it is not right that they should claim to throw the burden of unprofitable contracts upon the country and thereby escape the results of their own actions. Nor is it any part of the suggestion of the Tariff Board that duties should be so manipulated as to make the price of steel entering India Rs. 140. That is equally impossible. All that the Tariff Board said was that after careful and exhaustive inquiry, after taking into consideration all the factors, they found a gap of about Rs. 40 a ton and they endeavoured to bridge that gap. Beyond that they do not go. Companies are free to make their contracts in any way they like. Trade and commerce is not to be controlled. Whilst conditions remain at all like those that prevailed at the time when the Tariff Board was making their inquiry, it should be sufficient, if this difference of Rs. 40 is made good, to allow any steel company in India to win its way to steady profits. Beyond that it is not right to ask the Legislature to go. It is this Rs. 40 which is the main basis for the

calculations of these duties; in the case of other articles a similar comparison of prices has been made. Also specific duties have been generally adopted instead of *ad valorem*. That is the point where they diverge from the ordinary practice that has hitherto prevailed in our tariff. Here the Council will agree that the change is justified. Specific duties are much more effective for protective purposes than *ad valorem* ones. *Ad valorem* duties are highest when prices are highest and protection is least required and lowest when prices are lowest and protection is most needed; therefore the Board have gone, whenever they possibly could, for specific duties. For purposes of comparison, however, it is better to turn them into *ad valorem* ones. If we do that I think the Council will realise the pitch at which these duties are placed. If we convert them into *ad valorem* ones at present rates they mean on steel bars an *ad valorem* duty of 28 per cent., on structurals and wire nails 25 per cent., on plates 20 per cent., and on sheet and tin-plates 15 per cent. Compare those with the rates prevailing in other countries. The rates in Japan on nearly the whole of these articles are 15 per cent. In Canada, which adopts specific duties, the duties on wire nails are £2 a ton; here a duty of Rs. 60 has been recommended. The House will therefore see that whilst the Board have applied these duties to a particular range of articles and have endeavoured to protect only those manufactured in India, yet the duties in themselves reach a high level. Those who would ask for more protection ought to bear this in mind. The duties proposed work out very similar to those in Australia, but Australia is a somewhat wealthier country than India. At the same time the Tariff Board have endeavoured to keep down the cost of this protection as much as they can. They have combined with their recommendation for duties a system of bounties on rails and wagons. This has a great effect in that it helps to prevent the danger of raising the general cost of transport in the country. It was also necessary because a duty on rails would be no advantage to the present company which is making steel in India, as it has already contracted its output of rails for three years. The Board have balanced the revenue they expected to get and have given us a scheme which hangs together as a whole. It may be urged that bounties alone would be cheaper all round than any protective duties. We shall probably hear more of that during this morning and I hope to hear that argued. But all those who advocate bounties ought also to show whence the money would come, and whether in obtaining that money they would not also be putting additional burdens on the consumers by imposing additional indirect taxation.

Another feature of the recommendations before the Council is the period for which these duties are recommended. They are restricted to three years. The steel industry may need and possibly will need protection for a longer period than three years. That is very important. Conditions are in such a state of flux at present that the rates which would be appropriate now may easily be entirely inappropriate three years hence. Three years hence the company ought to have gained experience and had adequate opportunities to get their works into full swing. It ought then to be possible to determine whether it can really make steel economically. Also in three years there is some prospect of trade conditions settling down. Under these two conditions it is

perfectly obvious that any figures now determined may be far too burdensome three years hence, and the Government prefer to wait for the next three years to give the steel companies in India a chance, before asking the Legislature to consider any proposals for protection which might pertain for a long period. Therefore, another inquiry is recommended before the 31st March 1927, and that is now specifically provided for in the Bill.

I do not think, Sir, that I need go very far into other details. The bounties for the rails have been based on exactly the same average gap as the Tariff Board propose for duties on steel bars, namely, Rs. 40. The present duty on rails is Rs. 14, and the Tariff Board recommend an additional Rs. 26 by way of bounty. It is perfectly clear and obvious that a bounty is most effective if it gradually decreases in amount as production increases. Therefore, the rates recommended for steel rails are Rs. 32, Rs. 26, and Rs. 20 over the three years which give the average of Rs. 26, and adding this to the specific duty of Rs. 14, once more brings us back to the basic figure of Rs. 40. The burden, as I have already indicated, would come to about one crore and a half which will be distributed on the whole between the Government, Railways, the big industries and the general consumer. In the result however the bulk of it will probably ultimately fall on the general consumer. That is what the country is being asked to-day. The question before the House is, is it worth while? The scheme put up by the Tariff Board has been accepted by Government as a whole, and they have placed it before the Legislature as a whole. The scheme is the logical result of the inquiry which was held by the Fiscal Commission. On that Commission there were representatives of every kind of commercial opinion. That Commission unanimously recommended a policy of discriminating protection in cases in which an industry possessed natural advantages. A careful, impartial and a searching inquiry has been made into the steel industry, and it has been shown that the steel industry satisfies all those conditions; in fact the Tariff Board go so far as to say that they could not conceive of a stronger case than the claim of the steel industry for protection. If the Council endorses the principles laid down by the Fiscal Commission, which have already been accepted by the Government on the advice of the Legislative Assembly, then they have to accept the fact that the steel industry in India deserves protection at any rate for the present. The Government, therefore, have no hesitation whatever in placing before the Council for their acceptance the scheme that has been prepared by the Tariff Board. It is a balanced scheme, and I would ask the House not to endeavour to pull out its foundation stones and bring it tottering down. If the country is going to accept protection, all will have to pay, and it is not right to endeavour to create bolt holes through which particular interests can escape their share of the burden. The scheme is not an extravagant one. It should put the steel industry in a position sufficient to allow it to grow and develop. More than that it does not do. It is calculated that the steel industry will have to put forth very great efforts to derive the full benefit, but the scheme is, we believe, adequate. It is sufficient to preserve that industry, which is a great industry. It gives an opportunity to the Tata Company to extend, and it is up to the Company

to make a full use and success of it. If the scheme is accepted, if these proposals are accepted, the country will have held out a helping hand to the steel industry in a time of difficulty, and it is for that industry to see that it makes the most of the opportunities afforded to it, that it works in future more economically, that it makes the most of its chances.

I now move, Sir, that the Bill to provide for the fostering and development of the steel industry in British India, as passed by the Legislative Assembly, be taken into consideration.

THE HONOURABLE MR. J. W. A. BELL (Bengal Chamber of Commerce): Sir, I very much regret that I am unable to support the Bill which has been placed before this House by my Honourable friend Mr. Chadwick in a very fair, very moderate and very interesting speech, and that for, among other things, two reasons. In the first place, I do not think it is right that a Bill with effects so far-reaching should be rushed through the Legislature, as this Bill is being rushed through, without time being allowed to the country for its full consideration. I shall probably be told that several weeks have been allowed, but that is not sufficient. For a Bill so important, in a country of the size of India, several months would not have been too much. The Government of India had before them the Report of the Tariff Commission for three and a half months before they arrived at their conclusions. If it took the experts of the Commerce Department three and a half months to make up their minds with regard to the Bill, I do not think that it is unreasonable to suggest that the less well informed public ought at least to have had an equal time.

In the second place, I consider that the Bill has been drafted under an entire misapprehension both with regard to the necessity for it, and with regard to the ultimate effect it will have upon the country.

The course of the Bill in another place deserves the careful consideration of this House for it is significant. A few weeks ago people who professed to know were loudly proclaiming that in that House it would have a walkover, and that its passage there would be the matter of a few hours. But, in spite of canvassing and lobbying to an extent hitherto, happily, unknown in Indian politics, in spite of canvassing and lobbying to an extent which has caused some comment in Simla during the last ten days, it was seen at an early stage that there was going to be considerable opposition to the Bill, and that the prophets were going to be wrong. It became apparent that responsible Members of another place had been aroused to a sense of what the Bill really meant, and that considerable misgivings had arisen in their minds as to the effect it would have upon the country.

The Bill was referred to a Select Committee consisting of 20 Members. (*The Honourable Dr. Sir Deva Prasad Sarbadhikary*: "23, I think.") 20, I think. So remarkable was the unanimity of this Committee with regard to the merits of the Bill, that of the 20 Members, 11 signed Minutes of Dissent. If these facts mean anything, they mean that the Bill is not one which had the unanimous approval of the other House, but is one with regard to which opinion in that House is sharply divided.

One of the functions of this House is to safeguard the interests of all classes, and to prevent the wishes of small majorities from being imposed

upon large minorities. In these circumstances, in view of the sharp difference of opinion with regard to the Bill in another House, I think that this House would not merely be exercising its privilege, but it would be performing its duty, if it were to throw out the Bill altogether.

The Bill is one which if passed will alter the whole fiscal system of the country. It is quite true that at present customs duties are imposed at Indian ports which have a protective effect, but they have not been imposed with that object in view, but with a view to increasing the revenue of the country. This, therefore, is the first real step in the direction of protection.

I do not propose to take up the time of Honourable Members by discussing the general question of free trade as opposed to protection. The Tariff Board in their Report have correctly pointed out that that general question does not come within the terms of their reference.

The Tariff Board was constituted as the result of a Resolution in the Assembly early last year as Honourable Members will remember. I do not propose to criticise the personnel of the Tariff Board, but I think it is permissible to say that, notwithstanding the eminent position occupied by each member of the Board in his own respective sphere of life, the public would have had greater confidence in their investigations of what are, after all, purely commercial matters, if there had been included in the Board one member, or had there been added to the Board one member, with practical business experience.

I now come to the recommendations of the Tariff Board for the protection of the steel industry or rather to put it plainly for the protection of the Tata Iron and Steel Company, Limited. (*The Honourable Mr. Lalubhai Samaldas*: "No.") In making their recommendations, the Tariff Board have stated that this Company fulfils the three main conditions laid down by the Fiscal Commission, which conditions the Fiscal Commission stated should be satisfied before any claim to protection could be entertained. I quite agree that the Tata Iron and Steel Company does fulfil some of these conditions, but there is one which I consider that it does not fulfil. I do not consider that, without the help of protection, the Tata Iron and Steel Company would not be able to develop at all, or would not be able to develop as rapidly as is in the interests of the country.

In coming to the conclusion that the Tata Iron and Steel Company satisfies all the conditions laid down by the Fiscal Commission, the Tariff Board have, I think, been labouring under the misapprehension that the present financial position of the Tata Company is due to permanent inability on the part of the Directors to carry on its affairs successfully without protection, whereas it seems to me that the position arises merely from the adverse trade conditions which have prevailed for the last two or three years. I quite agree with my Honourable friend Mr. Chadwick in saying that one should avoid, as far as possible, offering any opinions as to individual firms, but it is not possible in looking at this aspect of the matter, to avoid some reference to the past history of the Tata concern.

On their own showing, they were for years in a highly prosperous position. A fairly accurate estimate of the prosperity of any Company can be ascertained from its dividend paying capacity over a number of years, and from the value which the public places upon its shares.

With regard to the first of these, the capital of the Tata Company, apart from debentures and preference shares, consists of ordinary shares of Rs. 75 each and deferred shares of Rs. 30 each. For the convenience of Honourable Members I will refer to these as A and B shares. Between the years 1914 and 1922, a period of nine years, the following dividends were paid on these shares:—

	Per cent.
1914-A shares	6
B shares	25
1915-A shares	8
B shares	25
1916-A shares	15
B shares	180
1917-A shares	20
B shares	291
1918-A shares	20
B shares	291
1919-A shares	5½
B shares	Nothing.
1920-A shares	16
B shares	202
1921-A shares	16
B shares	202
1922-A shares	4
B shares	Nothing.

That is in 1917 and 1918 deferred shareholders received in dividends six times the amount of their capital; in 1920 and 1921 they received four times the amount of their capital. In the nine years between 1914 and 1922, A shares, that is, the ordinary shareholders, received $1\frac{1}{4}$ times the amount of their capital or an average dividend of about 12½ per cent. The deferred shareholders during that period received fully 12 times the amount of their capital in dividends or an average dividend of 135 per cent. I think that possibly my Honourable friend Mr. Chadwick had these figures in view when he said that the path of the pioneer was hard.

As indicating the value placed by the public on the shares of the Tata concern I find that in 1917, 1918 and 1919 these shares of Rs. 30—deferred shares—were being freely purchased at Rs. 1,000, Rs. 1,200 and even more. There was no protection in these days and yet so satisfied were the public as to the soundness of the concern without the help of protection, that they were willing to pay 30 or 40 times the face-value of the shares in order to participate in the prosperity of the Company.

But that is not the only evidence we have of the prosperity of the Tata concern. In 1922,—two years ago—they went into the London market with an offer of 2 million pounds sterling of 7 per cent. shares and at that time they issued a prospectus. This prospectus appeared in the “Lon-

don Times" of 6th July 1922, or as nearly as possible two years ago. In that prospectus some interesting details were given with regard to the financial position of the Tata Company. I do not wish to weary Honourable Members by reading the whole of that prospectus, but I have a copy among my papers should any one wish to see it. I notice that in it the Tata Company say that after successful working for five years, they decided to make large extensions of their plant and mineral resources. In another part of this prospectus, under the heading of Assets and Liabilities, they give a statement by their Auditors certifying that their assets exceeded their liabilities by about £13,000,000 sterling, that is, by about Rs. 19 crores. That is, two years ago, the assets of the Company exceeded their liabilities by Rs. 19 crores.

I do not, as will be seen later, mention these particulars in any spirit of hostility to the Tata Company, but I mention them in order to confirm the opinion I have expressed that we are not dealing with a struggling business—that without the help of protection has never been able to get its head above water, but with a business which, without the help of protection—has attained a position of great prosperity and has maintained that position for a long number of years.

It is interesting to notice the attitude of the Tariff Board towards this aspect of the question. They say on page 61 of the Report :

"We do not propose to examine the validity of the criticisms frequently made regarding the dividends paid by the Company in certain years."

They do not say that they have examined these criticisms and that they are not satisfied as to their validity. Had they done so, one would have had nothing to say. But they merely say that they are not prepared to examine their validity. Why should the Tariff Board have taken up that position with regard to an important aspect of the question? Why should they have deliberately shut their eyes to the fact that for a long number of years the Tata Iron and Steel Company has been a most prosperous concern? Surely it was their duty to look at the question from every point of view, and yet, we find them, not accidentally, but deliberately, refusing to attempt to trace any connection between the fact that only two years ago the Tata Iron and Steel Company was in a position of great prosperity, and the fact that they are now in that position which is described by the Tariff Board in their report and which is the common gossip of India. I think that that sentence alone, which I have quoted, throws considerable doubt upon the value of the whole report of the Tariff Board.

The Tariff Board say that in their judgment the need for protection does not arise from any question of finance. I recommend that sentence to my Honourable friend Mr. McWatters who at least will understand its humour. They say that the need for protection arises from the difference between the price at which steel is imported, and the price at which the Indian manufacturer is able to sell. In other words, they consider that protection is necessary because the Tata Iron and Steel Company are not at the moment able to manufacture at a profit. If their opinion be correct, I can assure Government and also the Tariff Board that there are hundreds of other businesses in India and throughout the world carrying on at the present time under exactly similar conditions.

The Tata Iron and Steel Company complained to the Tariff Board that they had to pay large sums in interest because they had no reserves to fall back upon. I find in this connection that in 1919 they paid Rs. 11 lakhs in dividends and placed Rs. 80,000 to reserve. In 1920 they paid Rs. 47½ lakhs in dividends and placed Rs. 76,000 to reserve. In 1921 they paid Rs. 53 lakhs in dividends and placed Rs. 80,000—less than one lakh—to reserve. In 1922 they paid out Rs. 45 lakhs in dividends and placed nothing at all to reserve. All that the Tariff Board have to say with regard to this aspect of the question is:—

“It is obvious, of course, that if dividends had been restricted the Company's financial position would have been easier and less outside capital would have been required.”

What a profound conclusion to come to! If they had not paid so much away they would have more left! (*The Honourable Mr. Lalubhai Samaldas*: “Will you please read the next sentence?”) I think I ought to protest against this casual way of dismissing a very important aspect of the question. I do not think that for the Tariff Board to take up that position with regard to an important point is fair either to the Government of India or to the public.

The view that I take is that the present financial position of the Tata concern is not due to their being unable permanently to manufacture at a profit. Unless certain important information has not been disclosed, it would appear that the Tata Co. are suffering in exactly the same way as many other businesses are suffering throughout the world. For years they made large profits and they embarked upon large extensions. Like these other companies they were caught when the slump came. It came suddenly, the demand for their products fell away, and the Tata Co. was faced with disastrous competition from many other companies in exactly the same position as itself. Some of these companies had pursued a prudent policy and had built up large reserves, and these are the companies that are able to weather the storm to-day.

But in speaking of the present position of the Tata Co. we cannot dwell upon what might have been had another policy been pursued. What we have to face is the position to-day, and in this connection I would like to refer to one aspect of the question.

I have heard it said—I do not believe that any Honourable Member of this House would express such an opinion—but I have heard it said that European commercial community in India are opposing protection because they do not desire that Tata's should receive the financial assistance from Government which is necessary in order that they may emerge from their present difficulties. I wish emphatically to deny that that is so. The European commercial community would exceedingly regret if it became necessary for the Tata Iron and Steel Company to go into liquidation. They would consider it a great disaster to the country. They desire as strongly as any Honourable Member of this House or of another place can desire that the Tata Iron and Steel Company should get whatever financial help is necessary, but they desire that that help should be given in a businesslike way. They consider also that the help should take the form of bounties, or of a loan at nominal interest, or of a combination of both of these methods.

The advantage of a system of bounties is at once apparent. So soon as the necessity for them disappears the bounties could be withdrawn without creating any disturbance in the financial situation throughout the country. The incidence of the burden is also fair because it is applied to the whole community through the Central Government by means of taxation. This seems equitable in view of the fact that one of the strongest arguments for the protection of the Tata Iron and Steel Company was that the industry was essential for the defence of the country. If that be so, and I agree that it is so, it seems only fair that the burden should be borne by the whole community and not merely by the consumer, for the moment, of steel.

It has not been possible in the short time at my disposal to prepare an exhaustive estimate of the relative cost to the country of bounties as opposed to the tariff proposals of the Tariff Board. But taking the figures supplied by the Tariff Board as estimates, it would appear that the cost of bounties to the country in the first year would be something like Rs. 59 or 60 lakhs, in the second year about Rs. 72 lakhs and in the third year, probably something over a crore, whereas the burden to the country resulting from the proposals of the Tariff Board would amount to one crore and 64 lakhs of rupees a year. That is, in the three years provided for in this Bill, the cost to the country of the tariff proposals would be something like 5 crores of rupees, whereas the cost to the country of a system of bounties would be less than half that amount. In speaking of bounties it has also to be kept in view, that, if the Tariff Board's proposals be adopted, all the steel consumed in the country will be subject to the tariffs imposed, whereas the Tata Company are only able to manufacture about one-third of that quantity and therefore only able to benefit by the increase to the extent of that one-third. It might be, and it will be, said probably that the output of the Tata Company will increase year by year and there is no reason to suppose that it will not. But, on the other hand, there is no reason to suppose that the total amount consumed in the country will not also increase.

If either of the methods that I have suggested, that is, bounties or loans at nominal interest, be adopted, it will obviate the necessity for plunging the country into a policy of protection. If protection be granted to the Tata Company it will be followed by applications from many other concerns. This is verified by the fact that, in making these proposals for the protection of the Tata Iron and Steel Company, the Tariff Board have found it necessary to make similar proposals in connection with the Engineering industry, the Wagon Building industry, the Tin-plate industry, the Indian Steel Products Company, Agricultural Implements, Limited, etc. It is not even suggested that these industries fulfil the terms of the Fiscal Commission's Report. The only argument advanced is that they use Tata's steel; that the price of Tata's steel will be increased by protection, and that therefore they, in turn, must be protected. The case of the tin-plate industry is one that has come prominently before the other House. The Select Committee found that it was not deserving of protection because the reason for its financial position was that it had been over-capitalized. I understand that the duty however has been restored. I would also point out that this industry is being protected twice. They enjoy a long contract for steel

from the Tata Company at a price less than the cost of production, in respect of which the Tata Company is being protected, and they will also enjoy the special protection which has been allowed to the industry itself.

Government may rest assured that if these claims which have been put forward for protection are admitted, they will be followed by many others, and the result will undoubtedly be a very great increase in the cost of living throughout the country. This will be followed by demands for higher wages, which will in turn raise the cost of every article which is produced by the labour of those persons to whom higher wages have to be granted. It is all very well for the Tariff Board to speak in a theoretical way of the allocation of the burden which will be caused by protection, but Honourable Members of this House know that those who will really suffer—and they will suffer very heavily indeed—will be the poorer classes and the poorest classes of this country, the agriculturists in the mofussil and the labourers in the towns. For that reason even suppose I should find myself in a minority of one, I feel it my duty to oppose this Bill.

THE HONOURABLE SIR MANECKJI DADABHOY (Central Provinces : General): Sir, I have decided to rise at this early stage of the debate in view of the very important and significant speech made by my Honourable friend, Mr. Bell. I may at once state that if I rise to welcome this Bill, it is not because I was a member of the Fiscal Commission which in the first instance, recognised the necessity for some measure of protection to the steel industry, or because Government has the moral courage to mark out a bold and courageous policy in the matter of its tariff legislation on this occasion, but on account of the deep conviction that the steel industry needs protection, and that if India is to be raised to the level of other flourishing countries, it is only possible by the prosperity of its steel industry. My Honourable friend, Mr. Bell, has placed an aspect of the case from the point of view of the European commercial community. He has placed that aspect with great ability and with extreme moderation, on which I congratulate him, but I fear if his whole speech is thoroughly examined and analysed his opposition is not to the Bill itself but to the policy which is to be adopted in this country, the policy of free trade or protection. Sir, it is no longer open to the Honourable Members of this Council to consider that question. That policy has been enunciated by the unanimous opinion of the Fiscal Commission and has received the seal of approbation of the Government of India and of the Secretary of State by the Resolution that was passed in the Assembly and accepted practically unanimously on that occasion. I may observe that though the subject of free trade or protection incidentally arises, it does not affect the main and principal issue now lying before this Council, whether the Bill that is now before us affords an adequate measure of protection to the steel industry of this country.

Sir, before I embark on the general discussion I want to make my position clear. I never had the happiness or the good fortune to enjoy those high dividends which my Honourable friend, Mr. Bell, has alluded to. (Laughter.) I never held a single share in the Tata Iron and Steel Company (Laughter), and I have no desire to hold a share (Laughter); and, if I am speaking to-day in support of the Bill, my advocacy at least should be regarded as purely disinterested, and I am only supporting the

cause on account of the momentous issues that are lying before the country and the important questions that are involved in this Bill.

Sir, I wish to clear up a few misunderstandings to which my Honourable friend, Mr. Bell, has referred, as it will clarify the atmosphere and enable this Council to decide the real point without prejudice and from the right point of view. My friend started with attacking the Report of the Select Committee and brought it before the notice of this House that there was no unanimity even in the Select Committee itself, because 9 out of the 20 members appended Minutes of Dissent and took views which were not in union with the views of their other colleagues.

Sir, I have also studied this Report of the Select Committee, and my Honourable friend, Mr. Bell, will permit me to correct him that the dissenting members did not in their Report refer at all to the fact whether protection should be given to the steel industry or not, but they alluded to other important questions, questions like the settlement of labour, profit sharing, nationalisation and other important matters which they took up in the course of their inquiry for consideration, and the opined that they formed a part and parcel of this Bill and ought to have been incorporated into it. It was that reason which led to the dissenting minutes from some members of the Select Committee.

Then, my friend Mr. Bell found fault with the constitution of the Tariff Board. I am afraid it is rather too late. I wish, when the matter had come up before the Assembly, his colleague, the other representative of the Bengal Chamber of Commerce, could have at least pressed on the Government the advisability of putting on a business man on this Tariff Board. Sir, whatever may be said as to the advantages of a business man being on a Board of this nature, we ought not to discard the justice of the view which the opponents of the business man would also be in a position to urge. I understand the object of the Government was to keep the Board free from prejudice, free from any predilections to business or other affairs, so that the Board might arrive at an independent judgment. But whether that view is correct or not, I confess there is something to be said in support of that view, and even if the view which my Honourable friend, Mr. Bell, has propounded is correct, I say it would hardly affect the merits of the Bill, and I would ask my Honourable friends to consider the question now before them entirely from a detached point of view whether or not protection which the Board has recommended is necessary for the growth and development of the steel industry in India.

Sir, then Mr. Bell referred to the glaring prospectus issued by the Tata Steel Company in order to obtain more capital for their works and also to the fact that fabulous dividends were paid by the Company as a ground, I presume, to show that the Tata Company needed no protection and that it was in a position to stand on its own legs. I wish my friend Mr. Bell had studied more deeply the psychology of the years 1920 and 1921 which permitted companies in India to distribute large and fabulous dividends. Perhaps he is aware, like many of us that those were the years which succeeded the advent of the war. After the closing of the war, things were entirely dislocated in this country, and a period of ephemeral prosperity ensued in which not only the Tata Steel Works enjoyed a fair amount of success, but other industries like jute and cotton had also their tremendous share of the boom. The fat dividends that

were paid in 1919, 1920, and 1921 by the jute industry of Bengal—and they paid more than 300 per cent., dividend, much more than Tatas—were due to causes which were entirely different, and it would be wrong to associate those causes with the consideration of the question now before us, which involves serious other considerations. My friend pointed out that the Board refused to consider the criticisms about the ability of Tata's to pay dividends, and stated that, if that question had been carefully gone into by the Board, probably they would have arrived at a different conclusion. My friend quoted an isolated passage from the finding of the Tariff Board in that connection, but if he had only referred to the following passage, it would have cleared up the doubt, that the matter did not wholly escape their consideration, because after the passage to which Mr. Bell has referred, the Tariff Board distinctly state:

"It is obvious, of course, if the dividends had been restricted, the company's financial position would have been easier and less outside capital would have been required, but the need for protection would have been exactly what it is to-day."

So it will clearly appear that the question of the payment of dividends had no bearing whatever on the issue. Sir, we are not concerned to-day with the ability of the Tata firm to pay dividends; whether they would be able to pay dividends in the future or not is another question. We are likewise not concerned with the financial position of the firm of Tatas; we are not concerned whether the Tatas are kept alive or they have to go into liquidation if this Bill is not passed. The sole question before the country, which has been analysed and examined in detail by the Tariff Board, is whether the steel industry could succeed without some measure of protection or not. If the finding of the Board is correct, and they have examined this matter with great care and with extreme caution, they have arrived at a finding which I have personally no hesitation in accepting, and I concur with the view that protection ought to be afforded. You will therefore, I submit, allow these matters which are entirely outside the consideration not to stand in the way of arriving at a conclusion whether protection should be allowed to the Tata Company or not. In this connection, my friend has referred to two other ways of giving relief. He has also candidly stated that he would be very sorry if the steel industry collapses. But he has pointed out that this system of protective relief now advocated would involve an expenditure of about 5 crores, and if the bounties were only paid, the Government would tide over the difficulty and keep the Tata Iron works alive on half that amount. Now, as Honourable Members are aware, the Fiscal Commission went into this question very thoroughly, and they, as a matter of fact, did recognise that in matters of key and basic industries such as the Iron and Steel industry, if any protection is needed, it must rather take the shape of bounties . . .

THE HONOURABLE SIR CHARLES INNES (Commerce Member): I just want to correct the Honourable Member. What the Fiscal Commission said with regard to basic industries was that bounties may often be found to be the most suitable form of protection.

THE HONOURABLE SIR MANECKJI DADABHOY: I am coming to that, Sir. They also distinctly recommended that in case of all infant industries, bounties would be a more suitable form of protection. The Fiscal Commission did not lay any ban on tariff duties. As a Member of the Commission, I assure my Honourable Colleagues that we did not come

to the conclusion that under no circumstances were protective duties in the shape of tariffs not to be imposed. It was a question of relative importance, and the recommendation only went so far to show the advisability or preference of one form over the other.

Now, Sir, in matters of this importance, it would be dangerous, I submit, to tie ourselves down to the particular shibboleths whether a bounty or a protective tariff would be good. All tariffs and all forms of taxation are obnoxious. There is nothing to choose between them. If you go in for tariffs, you impose indirect duties and make particular consumers of that article pay for the excess price. If you give relief by way of bounties, you make the whole community, the general body of tax-payers, as represented by the Government, pay the amount. But bounties or tariff duties, both have their advantages and disadvantages, and in considering a scheme one has not only to look at the abstract principles propounded by tariff writers only, but we have to consider our special position, we have to see to what situation the present conditions would adapt themselves and which would be relatively and effectively a superior proposition. Now, for bounties, take these few considerations. My friend is a warm supporter of bounties. I do not blame him for that. But you have the distinct finding of the Tariff Board that Tatas, rightly or foolishly, have entered into long-term agreements at comparatively cheap rates with the Railway Companies and the Railway Board for the supply of rails to them. They also considered the fact that if you now decide to give them protection by tariff duties, that protection will not wholly reach them, for the simple reason that they will not get the benefit of that, because these high tariff duties which you may put on the import of rails that may come out from England and foreign countries will not save the situation and put the Tata Steel works on the proper and safe foundation, because that benefit will not fully reach them in the circumstances. And the result of this will be that the general consumer will have to pay more for his goods, for his commodity, while the manufacturer or the producer for whose benefit you are putting that duty, does not get any substantial benefit out of it. It comes to that practically, and that view of the Tariff Board was practically consistent, sound and sagacious. It is an ordinary canon of taxation that it is useless to burden the commodity with an extra charge or an extra duty if you are not going to benefit the producer or the manufacturer. It is for this reason that bounties are in the present case a more appropriate and more suitable form of taxation than tariff duties. But, if the case only depended on that question, I might be perhaps prepared to concede in favour of the view pressed by my Honourable friend Mr. Bell. But you have other factors to take into consideration, other very important factors. You are all aware, this Council is aware, that this House is committed to a Railway programme to the extent of 150 crores in five years' time, of which 30 crores are to be spent every year. I do not know whether this is the second or third year of that programme, but, whatever it may be, just realise what it is going to cost you, if you put tariff duties instead of bounties. You will have to get out from abroad a considerable amount of rails, fish-plates and other articles which will be liable to very heavy duty in the shape of increased tariffs and that is a circumstance which alone ought to weigh with us in coming to a decision about this matter. Apart from that, there is another more important objection.

I hate to give in the shape of an exclusive relief a bounty to a manufacturer without imposing other limitations and restrictions. If you only give a bounty to a manufacturer, there are two serious objections to it. On the one hand, there will be no serious incentive to economy, and on the other hand, there will be no check on over-production. Every one of you know that in most of the countries where exclusive bounties have been given, over-production has been the result and the markets have been dumped with goods which were not actually required, the manufacturer for the purpose only of earning the bounty has not infrequently dumped the market with the goods.

These, gentlemen, are serious objections to confining ourselves to a bounty allowance. I recognise, on the other hand, that in the case of tariffs there is an unfortunate temptation on the part of Government to stick to these duties even after the commodities are restored to their normal value and the manufacturer is in a position to turn out the steel at a lesser and competitive cost. The history of other countries has taught us to appreciate the fact that there is always a lethargy, always an indifference, on the part of the Government, once tariff duties have been imposed, to reduce or abolish those tariff duties. I ask my Honourable colleagues, what is the history of our fiscal policy, what is the history of our tariffs during the last fifty years? What has happened more particularly since the year 1916, when, under the necessities of the war pressure, in order to find expenditure, all our revenues were considerably increased? That process of augmentation went on steadily from the year 1916 to the year 1923, and with what results you are fully aware. The whole of our tariff programme, the whole of our duties with the exception of the free list, has been classified under three heads. The first head was confined to $2\frac{1}{2}$ per cent., the second to over 10 per cent., and the third limited to 30 per cent. The Government, before the Fiscal Commission undertook its task, before the Fiscal Commission came into existence and made its recommendation and before the Tariff Board wrote their Report, had committed themselves unconsciously to a policy of protection by increased duties required for revenue purposes. This has been the later fiscal policy. This Bill only goes a step further in the matter of that policy. After all, so far as the tariffs are concerned, it is only raised on iron and steel from 10 to 14 per cent. Before 1916, the duty on iron and steel was Re. 1. It was raised to $2\frac{1}{2}$ in 1916. In 1920 it was raised to 10 per cent. It is now sought to be raised, in respect of certain articles which are not made in the country, to 14 per cent. After all, is there any substantial increment in these tariffs? I submit there is not. For these reasons I accept this Bill which upholds a composite system of tariffs and bounties.

Then, in connection with the Bill, I would like to urge many other points but, Sir, I know there are other speakers to follow me and, as the question is a very important one, I will be as brief as possible with reference to the provisions of the Bill itself. I am very very pleased that the Preamble of the Bill has been amplified and improved by the Assembly.

I myself was not satisfied with the manner in which the Preamble originally stood. There must be a distinct, unequivocal declaration on

the part of Government that they have decided to give protection to the steel industry.

THE HONOURABLE THE PRESIDENT: I think it would curtail the proceedings if the Honourable Member would deal with the Bill as it has been presented to this House.

THE HONOURABLE SIR MANECKJI DADABHOY: Yes, Sir. I shall confine myself to the Bill that is now before the House. I am glad that in the Preamble there is a recognition of the policy of protection and that that recognition is accompanied by an assurance that the protection will be given to the steel industry until such time as it needs it. All our money would be wasted if after three years this Bill *ipso facto* became obsolete. Money would not then be forthcoming for further expansion. I am not opposed to foreign capital. I am not opposed to new steel concerns being launched in India not only with Indian capital but entirely with foreign capital. It will bring a considerable amount of wealth and greatness to the country. No protective policy is sound unless you have got competition behind the tariff wall itself, and it is the duty of every Legislature which sanctions a policy of protection to see that the burden on the consumer does not press heavily and unduly. It is in that view that I welcome the alterations in the Preamble itself.

I am sorry, Sir, that an important clause of the Bill, provisions as regards rupee capital, exclusion of foreign capital and other conditions have been incorporated. This clause is entirely foreign to the Bill. I wish it had formed the subject of separate legislation. The Indian Companies Act might have been more suitably amended as to incorporate this result. A separate Bill might have been introduced dealing with foreign capital altogether and carrying out the recommendations of the Fiscal Commission in that direction. But their inclusion in this Bill is somewhat inappropriate and in my own personal view very unwise . . .

THE HONOURABLE SAIYID RAZA ALI: (United Provinces East: Muhammadan): May I point out that the consideration of the Bill clause by clause is not now before the House?

THE HONOURABLE THE PRESIDENT: Order, order. Sir Maneckji Dadabhoi.

THE HONOURABLE SIR MANECKJI DADABHOY: I am only referring to the general principle of the Bill. However, I do not wish to sound a note of dissent on this occasion nor do I propose to move that that part of the Bill be deleted. A sort of compromise has been arrived at between the Government and the Assembly and, as I do not see any insuperable objections to it, I shall not allow the Bill to be wrecked in this Council howsoever greatly I may differ from the advisability or wisdom of incorporating these proposals in the Bill.

Sir, I have only to say that I support this motion. I shall have something to say at a later stage of the Bill regarding other matters. But to-day I willingly and heartily co-operate with the Government in this important measure, because I see in it the first signs of the growth of industrial development in this country. In this Bill I see all the indications of the future growth of the prosperity of our land, and I therefore ask my Honourable colleagues to detach their minds from all other considerations. Remember that no European country has attained its

greatness without the development of its coal and steel industry. If you examine the financial history of all great countries, including England, you will find that it is the iron and steel industry that has made them great. It is the development of steel that has made the Continent more prosperous. It is no use wrangling about the measure of protection. England herself, before she became a free trader, adopted a policy of protection. According to Professor Hamilton she levied an import duty of 60 per cent. *ad valorem* against all foreign goods coming into England. She had issued a legal prohibition against the importation of all competitive cloth. Even lately, after the war, England followed a policy of protection in the sense that she passed the Safeguarding of British Industries Act. She passed a Bill to support her dye works. Germany since 1879 went on the same lines—industrialising and protecting her industries—with the result that before the war she had the trade of the entire world in her grasp. Japan has followed suit and other countries have done the same. If you want your country to be great, if you want your country to prosper and develop, protect her industries, and you will have done much more for her than mere politics can aim to do.

THE HONOURABLE SIR ARTHUR FROOM (Bombay Chamber of Commerce): Sir, like the previous speaker, I should like to make a short reference to the very able and interesting speech made by my Honourable friend, Mr. Bell. The part of his speech to which I wish to draw the attention of the Honourable Members of this Council is that he represents a very large and important portion of the European community in this country, and in representing them, he stated that his constituency was not against assisting this industry which has fallen on bad times. In opposing the Bill, Mr. Bell did not wish to oppose assistance to this industry. I am making a reference to this now, Sir, because I thought that that part of my Honourable friend's speech was somewhat blurred by the remarks that fell from my friend, the Honourable Sir Maneckji Dadabhoi. Mr. Bell's point was that his constituency had no objection to aiding this industry, but they did object to the method of aid as proposed in the Bill.

I too, Sir, represent a large European community in this country, and on their behalf, the Bombay Chamber of Commerce, I rise to support the motion that this Bill be taken into consideration. But I wish to make it clear that, although the Bombay Chamber has decided to support this Bill in view of the special circumstances under which Government have brought it forward, they do not commit themselves in any way, nor do they support a general policy of protection or bounties to industrial concerns. I should like also to make it clear, Sir, and here again I am speaking on behalf of the Bombay Chamber of Commerce, that in supporting this Bill I am not actuated by any consideration for the Iron and Steel Company as a dividend or a non-dividend earning concern. I am solely considering the large and important industry which that company has brought into being, an industry which has been described by many as of national importance by reason of the large employment it gives to many thousand Indian workmen in this country, and also of its rendering this country independent or partially independent of supplies of steel from other countries, which independence might prove of no small value in the future were those supplies at any time cut off on occasions of international strife.

One of my objects, Sir, in joining in this debate is to remind the Honourable Members of this Council of the conditions laid down in the Fiscal Commission Report, under which, only, protection can be claimed by any one particular industry and that claim recognised by the Tariff Board. The Tariff Board has admitted the importance of these conditions by a recapitulation of them in paragraph 17 of their first report. The condition to which I wish specially to invite the attention of Honourable Members is that the industry must be one which will eventually be able to face world competition without protection. That condition, Sir, I regard as one of the highest importance. Protection at the best can only be regarded as a measure of inefficiency, and I contend that this is the case with the industry which we are now called upon to support. I fully recognise, Sir, that in its infancy a new industry has many difficulties to contend with. Among its difficulties may be injudicious and extravagant management. By injudicious I have in mind the wholesale dissipation of profits in large dividends during a boom, without providing for a solid reserve fund against bad times. And here, Sir, might I suggest that, in view of the large profits which the shareholders of the Iron and Steel Company have enjoyed in the past without any or with but little consideration for a reserve fund, it would be but seemly on the part of the management to come forward now with a scheme that some of its share capital should be written down. By extravagant, Sir I mean going ahead too fast and incurring large capital outlay without prudently educating labour step by step to the point of being able to make a profitable use of that capital. I have no wish, Sir, to criticise too severely the management of the Iron and Steel Company at Jamshedpur. As I have said before, they may have had many difficulties to contend with, and after all, they took their courage in both hands and started a new industry for this country. I feel convinced, though, that, if the Company had been content to progress more slowly step by step with the education of its labour, it would not have found itself in the predicament in which it finds itself to-day. This is where I state that protection represents a large measure of inefficiency. I entirely agree with the Indian Fiscal Commission, of which my Honourable friend, Sir Maneckji Dadabhoy was so distinguished a Member, in its views that protection should only be temporary and that an industry claiming assistance must in future be able to stand by itself without any protection at all. Indiscriminate protection, in spite of what the previous speaker has said, to my mind has done little, if any, good to any country. It only results in increased cost of living and is accompanied in many instances with disgruntled labour.

Sir, I should like just now to refer for a brief moment—I do not propose to discuss it at any length—to the question of foreign capital which was raised in another place. I understand that the Honourable the Commerce Member there promised that a Committee of the Legislature should be formed to inquire into the question of foreign capital, and I should like to ask the Honourable Sir Charles Innes that this Council should be represented on that Committee. (Hear, hear).

Sir, with the introduction of this Tariff Bill we are entering on a new era in this country, an era which I look forward to with considerable misgiving. I will not, however, dwell on the question of general protection, which I trust will never be general in this country, but I would

just like to remind Honourable Members of the far-reaching effects of this Bill. Your Railways will cost you more; in spite of heavy rails receiving bounties instead of protective duties, there are a hundred and one items which the Railways will find more expensive workshop repairs, renewals, general up-keep, bridges, new works, especially new works. Yes, your Railways will cost you more and so freight and passenger rates will go up. Your buildings will cost you more. Household and many everyday requirements will go up in price. In fact, there will be a marked increase in the cost of many necessities with the result that the cost of living in this country will advance—an increased cost of living which will be felt by all, by the rich, those of moderate means and also by the poor.

The Fiscal Commission in its Report, Sir, lay down an injunction that the Tariff Board should watch generally the effects of any tariff policy on the cost of living in this country. And I earnestly commend this to the attention of Government. I believe that the working of the Iron and Steel Company is capable of much retrenchment. I do not hold with Government interference in commercial undertakings, but I do think that this financial aid which is being afforded to the Iron and Steel Company should be closely watched and should not be allowed to interfere with the closest supervision by that Company on its economic workings. Sir, there is danger there. The Company is free from opposition in this country and I repeat there is danger there. And I recommend this aspect of protection both closely and earnestly to the Government of India.

Sir, as I have said at the beginning of my remarks, the Bombay Chamber of Commerce supports this Bill out of a desire to assist an industry which has fallen upon bad times from whatever cause that may be. But in supporting this Bill I do not commit the Bombay Chamber to a policy of protection. With natural resources and supplies at its very doors, the Tata Iron and Steel Company should be able to set its house in order in a very few years and I have every hope that it will. If it does not, then, Sir, I consider that it would be unworthy of any continued consideration. The Company should train its labour to compete with other labour in the world. The mills in India have gone far in this respect, and why should not the Iron and Steel Company do likewise? Above all, they must treat their labour well and teach them to take an interest in their work.

Sir, one word more and I have done. Honourable Members are aware that for the first time in the political history of Great Britain we have a Labour Government in power, a Labour Government which has been acclaimed by many in this country. What has been one of the first actions on the part of that Labour Government? It has been to remove certain protective duties imposed by its predecessor. That, Sir, is what the Labour Government in England thinks of protection.

THE HONOURABLE SIR CHARLES INNES (Commerce Member): Sir, the debate has covered such a wide range that I hope the Council will forgive me if I do not attempt to reply to all the points raised and if I confine myself to a few material points. First, Sir, if I may do so without offence, I should like to congratulate the Council on the high level at which this debate has been maintained, and, in particular, I should like to congratulate the last speaker,—I believe it was his maiden speech—and I am sure we all agree that it was a most excellent

speech. (Hear, hear). My little Bill, Sir, has, I am afraid, had a somewhat mixed reception. I think I had detected among the various Members who have spoken three classes. There is first the ardent protectionist. If I were an ardent protectionist. (*A Voice*: "Question") and if, as I hope will be the case, this Bill is passed to-day in this Council, I should be tempted to apply to myself words taken from Keats' sonnet when he first read Chapman's Homer. The Council will remember that he compared himself to stout Cortez staring at the Pacific with eagle eyes while his men looked at each other with a wild surmise. I think, Sir, it would be a very appropriate simile. Here to-day my Honourable friend Mr. Bell and my Honourable friend Sir Umar Hayat Khan have been looking at one another with a wild surmise. But, Sir, I do not claim to be an ardent protectionist. I do not set up to be stout Cortez staring at the Pacific with eagle eyes. Our policy is the policy of the majority report of the Fiscal Commission, not of the minority report. We have not set before ourselves a policy of intense industrialisation. We have not set before ourselves a policy of indiscriminate protection. Our policy is a policy of discriminating protection. Every industry that claims protection must prove its claim. It must prove its claim before an impartial tribunal, and that tribunal is charged with the duty of advising the Government whether the balance of advantage lies in admitting the claim, or whether in the interests of the consumer that claim should be rejected. And we claim that it is in pursuance of that policy that we have placed this Bill before the Legislature. It does not commit either the Legislature or the Government to a policy of perpetual protection. It is a pure business proposition. After inquiry we have decided on the advice of the Tariff Board that this industry requires protection. It requires protection for two reasons. In the first place, as my Honourable friend Dr. Macphail pointed out, it is very necessary that we should preserve the existing industry. In the second place, there is the desirability in the interests of the consumer of so ordering our protection that we should attract fresh capital into the industry.

Then, Sir, there is another class—there is the ardent free trader. I may say at once that I welcome the presence of the ardent free trader in this House as well as in the other House. As my Honourable friend Dr. Macphail pointed out, it is one of the advantages of this Bill that almost for the first time we have brought the free trader out into the open in India. For years educated India has been clamouring for protection. I go further and say that as long as the question of protection continued to be discussed *in vacuo* educated India would have continued to clamour for it. But now that that is a concrete proposal before the Legislature, some people find it to their surprise that the measure for which they have been clamouring for for all these years instead of being a boon to them is actually going to injure them. They feel that an injustice is being done to them. Some have attempted to blame the Government. But, Sir, I should like to examine very briefly the points which have been made by my Honourable friend Sir Umar Hayat Khan against this Bill. I must admit, Sir, that I was not able fully to follow the sequence of his speech—but as far as I could understand him, he was afraid that the Bill would throw a heavy burden upon the agriculturists and upon the poor in general. Well, Sir, that is

a point which was inquired into with special care by the Tariff Board. I do not know whether the Honourable Colonel has read the evidence printed in the appendices to the Tariff Board's Report. If he has, he will find that the Tariff Board made a special request to all Local Governments that they should get their Directors of Industries to supply them with a note, particularly on the question how far the policy of protection proposed for the steel industry would affect the consumption of steel in the small towns and in agricultural villages. Then the Honourable gentleman will find that as the result of the reports received the Tariff Board came to the deliberate conclusion that the direct effect on the agriculturist will be almost negligible. They say:—

“An increase in the duty on steel bars would tend to raise the cost of such steel as the agriculturist ordinarily uses, but that quantity is very small. If all the steel bars imported into or produced in India were used for no other purpose than to provide the agriculturist with steel, the increase in the duty to 30 per cent. would mean an annual burden of 43 lakhs spread over a population of 300 millions. We agree with the Director of Industries, Bihar and Orissa, that the direct effect of the protection of steel on agriculture is negligible.”

We know, Sir, that the Honourable Colonel, besides being a stout agriculturist, is also a stout soldier, and let me appeal, Sir, from Colonel Sir Umar Hayat Khan, the agriculturist, to Colonel Sir Umar Hayat Khan, the soldier; let me ask him whether during the Great War it would not have been an enormous service to India, to His Excellency the Commander-in-Chief, to the railways, and to the principal industries, if we had had this iron and steel industry flourishing in India. As it was, during the war the Tata Iron and Steel Company supplied the Government with 295,000 tons of steel. Let us assume that, before the war, it had attained its maximum production of 400,000 tons of steel per year. In that case it could have supplied the Government, the railways and the industries in India, not with 295,000 tons of steel but with 2 million tons of steel; and I think the Honourable Member, if he will balance, on the one hand, this great advantage which, if it had really matured, this iron and steel industry would have afforded to India against the comparatively small burden on the agriculturist, if he will do that, I do not think that he will have any doubt where the balance of advantage lies.

Finally, Sir, I come to the third class of my critics. They, Sir, are an intermediate class; I might perhaps describe them, in the Honourable Dr. Macphail's terms, as discriminating free traders. I think I may sum up the attitude of my Honourable friend, who represents the Bombay Chamber of Commerce, by saying that he dismissed the Government with the warning that they must not do it again. But, Sir, I hope that I have already reassured him. He told us that the Bombay Chamber of Commerce did not support any general policy of protection, and they do not favour any indiscriminate protection. That, Sir, is exactly the policy of Government. As I have already explained, our policy is a policy of discriminating protection. While I am dealing with the Honourable Member, may I just refer to his question about the Foreign Capital Committee. It was always my intention, and I stated explicitly in the other House, that that Committee should be a Committee of the Indian Legislature, and I can assure this Council

that this Council will be represented on it. In this class also, Sir, falls I think the Honourable Mr. Bell, though his position requires rather more explanation. He had, Sir, during his speech, if I may say so, my entire sympathy. I can see, Sir, that he was in a difficult position. Reading between the lines of the Honourable Member's speech, I think, Sir, he appeared to be a hard-shelled free-trader; but, Sir, he was a hard-shelled free-trader bound down by instructions which were not altogether to his liking. His speech, Sir, was an indictment of the Tata Iron and Steel Company. He said that the Bill was a Bill for the protection of that Company. He said that the Company owed the difficulties in which it found itself to mismanagement; and Sir, his conclusion, his only logical conclusion, should have been that we should leave the Company to bear the consequences of its own mismanagement, and that we should not drag in protection to bolster up an inefficient industry. But, Sir, the Honourable Member did not come to that conclusion; to my astonishment, after having got to that point, he suddenly stated that this Company should be relieved of the difficulties in which it finds itself! But, Sir, he is prepared to assist only on his own terms. He is only prepared to assist, if the assistance is given, the protection is given, only by way of bounties and not by way of duties. And thus, Sir, the Honourable Member successfully boxed the compass. He was able to show that he had great sympathy with this great Indian concern, and he ended up, to his great satisfaction, in being able to oppose the Bill. Now, Sir, let us examine the position taken up by the Honourable Member a little more closely. I should like first to make some reference to his remarks about the Tariff Board. He criticized the Report of the Tariff Board rather severely. The Bengal Chamber of Commerce, whom the Honourable Member represents, have stated in their letter to Government on the Bill that they "desire to congratulate the members of the Board upon the Report, which testifies to the completeness and thoroughness of their investigation of the difficult problem which was remitted to it."

Then, Sir, the Honourable Member criticized the composition of the Board; he wanted to know why we had no business men on the Board. The answer to that question, Sir, is very simple. A first-class business man or even a second-class business man is a very expensive article; it is a far more expensive article than the Government of India can afford; and, Sir, if it is a question of having a first-class Civilian or a third-rate business man, I would plump every time for the first-class civilian. But, Sir, let us go back to the burden of the Honourable Member's complaint. His complaint is that we are going to assist this industry by way of protective duties rather than by way of bounties. Well, Sir, it is always easy to make out an extremely attractive case if you are allowed to proceed from your own premises, and my first quarrel with the Honourable Member is that I am not prepared to accept his premises. His premises were that this Bill is a Bill for the protection of the Tata Iron and Steel Company. I deny that absolutely. The Honourable Member complained that the Bill was being rushed through the Legislature. I should not have taken very much notice of that statement except for the fact that it seems to me that the Honourable Member had not had time really to study the Report in the way in which

it should have been studied. If he will turn to the Report, to paragraph 32 of it, he will find that the object of the Tariff Board (and I may say that the object of the Government of India also is perfectly clearly stated in this Bill), was not merely the preservation of the industry as it exists at present.

"Its remoter, but equally important, object is to attract capital to the industry and promote the development of India's natural resources."

Therefore, Sir, I am not able to accept the premises from which the Honourable Member argues. I will proceed. Nor am I able to accept his scheme for bounties. I admit that, as the Honourable Member developed it, it seemed an extremely attractive scheme. He pointed out that the protective duties which we propose will cost the country about a crore and a half a year and he developed a scheme of bounties which, according to him, would cost the country 52 lakhs in the first year, 78 lakhs in the second year and 104 lakhs in the third year. Now, Sir, I do not accept those figures. I do not accept those figures as stating precisely what the country would pay. I myself have worked out my own calculations. I will say exactly how I have worked them out. I have adopted the bounties on rails proposed by the Tariff Board. I have taken the same figure as the Bengal Chamber of Commerce as the bounty on other steel, and I have added bounties on wagons. Now, the point I wish to make is this. If these bounties are going to be effective it must be obvious to the Honourable Member and to this Council that the Tata production will displace an equal amount of imported steel. That, I think, is perfectly obvious. On that amount of imported steel we now get a revenue of 10 per cent. *ad valorem*, and therefore not only will you have to pay these bounties but you will also have a considerable loss of revenue owing to the amount of imported steel displaced by the Tata production. Now, Sir, if you look at the Bengal Chamber of Commerce's scheme in this way, you will find it a very different matter. The bounties in the first year will cost you

4 p. m. 94 lakhs of rupees, in the second year 120 lakhs of rupees, and in the third year 135 lakhs of rupees. Nor, Sir, will the burden on the consumer be merely represented by these figures? I would be prepared to admit that they would be represented by those figures if my friend the Honourable Mr. McWatters had a large surplus and could provide the money for those bounties from that surplus. But if these additional monies for the bounties have to be raised by taxation, then it is almost certain that that taxation would lay a heavier burden on the consumer than the amount of money it would bring in to the coffers of the Government. That I think is almost a truism. And, if you look at it in this way, I doubt whether there would be very much difference between the cost of a bounty scheme and the cost of a protective duty scheme. Moreover, the bounties have got this disadvantage. They have not got the same element of permanence. They have not got the same guarantee of continuity of policy which duties have. A bounty is all very well if you merely wish to pull an existing industry out of a difficulty. It is there that Mr. Bell and myself differ fundamentally. That is not our object. Our object is a higher and bigger one than that. We wish not only to pull an existing industry out of a difficulty, but we wish to

attract new capital to this industry in order that there may be competition in India, in order that there may not be that monopoly which Dr. Macphail said was one of the dangers of this policy of protection. Finally, I noticed that, when Mr. Bell was developing his bounty scheme, he most carefully refrained from giving any indication as to where the money is to come from. Yet, Sir, that is a crucial point. I notice, Sir, that, when this question was discussed in the Associated Chambers at Bombay, the representative of the Bengal Chamber of Commerce said:

"Where is the Government to get the money for these steel bounties which must run yearly into crores of rupees? The answer to this question is so impossible to find that my Chamber had to rule out the question of bounty altogether."

Again, Sir, he said:

"If there must be assistance of some kind for steel, we should certainly favour a bounty in preference to protective duties, and it would then be for somebody in authority to explain to us how it would be possible to find the money."

Well, Sir, I do not know whether the Honourable Member has found some authority to explain that to him. I certainly have not.

Again, Sir, when the Bengal Chamber of Commerce gave evidence before the Tariff Board in December last they had to rule out then the question of bounties on the ground of the impossibility of finding any money. But I find now, Sir, that they have disposed of that difficulty. I may read an extract from an official communication which I have had from the Chamber on the subject.

"The Committee of the Chamber are disposed to question whether at the present time the provision of a State bounty is financially so impracticable as it appeared to be at the time when the report was written. The national budget has since been balanced, and the financial situation may be justly said to have sensibly improved. It does not now seem to the Committee of the Chamber to be impracticable for the Government to provide the money required, although they readily acknowledge that, when writing their memorandum of 24th November, 1923, they regarded such a proposal as being then out of the question."

Sir, I know the Secretary of the Bengal Chamber and I yield to none in my admiration for his talents. And, Sir, I can see him stroking his chin reflectively after writing that sentence and saying to himself: "Well, it is a bit thin but it is the best I can do." And I think, Sir, I think it is a bit thin. Sir Basil Blackett during the March Session explained that, owing to the reduction of the salt tax to Rs. 1-4-0, he was afraid that we would begin the year 1925-26 with a deficit of two crores of rupees. I think, Sir, that the Bengal Chamber of Commerce must have forgotten the statement when they wrote that sentence.

Well, Sir, I am afraid the conclusion is quite inevitable. We have discussed this question and we have examined it from every point of view. We have definitely come to the conclusion that we cannot possibly devise a system of bounty which we can finance. We have arrived at the conclusion that, if we are to assist this steel industry at all,—and I think I may say after listening to the speeches to-day that it is the view of most of the Members of this Council that the steel industry must be assisted—then there is no escape from the other conclusion that it

must be done in the manner we propose; that is to say, by the limited system of bounties supplemented by these protective duties.

I do not think I have any more to say, Sir. But I do hope that I may rely upon the support of the Council of State in putting through this very difficult Bill. The subject has been discussed for months past. The Bill has been before the country for the last six weeks. It has been discussed in the fullest possible detail in another place and I hope, Sir, that the Council of State will support the Government in the measure.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill to provide for the fostering and development of the steel industry in British India, as passed by the Legislative Assembly, be taken into consideration."

The motion was adopted.

Some amendments were moved, including one by Mr. Dawn to the effect that the Bill should not apply to the Province of Burma; but none of these was adopted.

THE HONOURABLE THE PRESIDENT: The question is:

"That the Bill to provide for the fostering and development of the steel industry in British India, as passed by the Legislative Assembly, be passed."

The motion was adopted.

PART III.

A.—Political.

2nd June 1924.

ARRESTS UNDER BENGAL REGULATION III OF 1818.

1158. *Mr. K. C. Neogy : (1) Has the attention of Government been drawn to the statements made by Counsel while moving the Calcutta High Court on the 17th April, 1924, under section 491 of the Code of Criminal Procedure, on behalf of four persons who were acquitted on the morning of that day by the Sessions Judge of 24 Parganas of charges under sections 120-B, 392, 395, 396, and 302 of the Indian Penal Code, and arrested immediately after and detained in prison ?

(2) Is it a fact :

(a) that immediately after they came out of court upon the pronouncement of the order of their acquittal, the said persons were arrested by certain police officers under the direction of an Assistant Commissioner of the Calcutta Police ;

(b) that on being asked, the said police officers stated that the said four persons were being arrested under Bengal Regulation III of 1818 ;

(c) that thereupon the said persons asked for the production of warrants, and the police officers stated that they had no warrants ; and

(d) that the police officers finally stated that the arrests were made under section 54 of the Code of Criminal Procedure.

(3) Have Government any authority to order persons to be arrested, with a view to imprisonment under Bengal Regulation III of 1818, without any warrant or without any warrant being shown to them by the Police when so required ?

(4) Are Government advised that warrants of commitment under section 2 of Bengal Regulation III of 1818, issued to the Superintendent of the Presidency Jail in Calcutta directing him to receive into custody the four persons mentioned in the preceding questions, constituted sufficient authority for the Calcutta Police to arrest them ?

(5) (a) Were the proceedings initiated in the case of the said four persons, by the Governor General in Council, under Bengal Regulation III of 1818, during the pendency of their trial in the Court of Sessions or on its termination ?

(b) If the said proceedings were initiated on the termination of the said trial :

- (i) on which date and at what hour were warrants of commitment issued under Section 2 of Bengal Regulation III of 1818 ;
- (ii) at what place, by whom, on which date and at what hour were the warrants signed, and
- (iii) to whom were the warrants sent, and at what place, on which date and at what hour were they received by him ?

(6) On which of the following three grounds, mentioned in the preamble of Bengal Regulation III of 1818, was action determined to be taken against the said persons :

- (a) that there may not be sufficient ground to institute any judicial proceedings ;
- (b) that such proceedings may not be adapted to the nature of the case ; or
- (c) that such proceedings may for other reasons be inadvisable or improper ?

The Honourable Sir Alexander Muddiman : I have seen a report of the statements referred to. The persons concerned were arrested in the circumstances detailed in the question but it is not a fact that the police said that they had no warrants or that the arrests were made under section 54 of the Code of Criminal Procedure. The warrants were directed to the Superintendent of the Jail and were not produced. The Regulation makes no specific prescription as to the manner in which any person, against whom a warrant under the Regulation is issued, is to be received into custody but the question of the power to arrest under this Regulation has, I understand, been answered judicially in the affirmative. The warrants issued before the commencement of the trial in the Court of Sessions but their execution was stayed and the points raised in part 5 (b) of the question do not therefore arise. The warrants were originally issued with special regard to the considerations recited in (b) and (c) of part 6 of the question, but without prejudice to the question of instituting judicial proceedings if this course were deemed advisable.

Mr. K. C. Neogy : May I know why these warrants were not issued before the persons were arrested and placed on their trial ?

The Honourable Sir Alexander Muddiman : My information is that the warrants were issued.

Mr. K. C. Neogy : Will the Honourable Member give the date of the warrants ?

The Honourable Sir Alexander Muddiman : I must have notice of that.

Mr. K. C. Neogy : If judicial proceedings were not considered advisable at the time, why were these proceedings instituted at all ?

The Honourable Sir Alexander Muddiman : I have already explained that the warrants were issued without prejudice to the question of instituting judicial proceedings, that is, without prejudice to trial on a particular charge.

Mr. K. C. Neogy : Is it usual for Government to issue warrants under Regulation III of 1818 in anticipation of the decisions of judicial courts ?

The Honourable Sir Alexander Muddiman : The warrants in question were issued before the trial in the Sessions Court commenced and were not issued solely on grounds connected with the charge there brought.

Mr. A. Rangaswamy Iyengar : May I know why Government should have thought fit that a man should be put on trial before the courts and also be interned without the issue of warrants ?

The Honourable Sir Alexander Muddiman : It was to avoid the necessity of internment them that the trial was undertaken.

Mr. A. Rangaswamy Iyengar : Am I to take it that in all cases where the trial proves abortive it is the policy of the Government to do without a trial ?

The Honourable Sir Alexander Muddiman : That is not the policy of the Government.

Mr. K. C. Neogy : Will the Honourable Member give the reference to the judicial decision ?

The Honourable Sir Alexander Muddiman : I think the Honourable Member knows the case quite well. It is the case of Amir Khan in 6 Bengal Law Reports, page 479.

B.—Services.

30th May, 1924.

ESTABLISHMENT OF A PUBLIC SERVICES COMMISSION IN INDIA, ETC.

1124. * **Diwan Bahadur M. Ramachandra Rao :** (a) Will the Government be pleased to state whether the establishment of a Public Services Commission contemplated in section 96-C of the Government of India Act has been considered, and whether any action in this direction is intended to be taken ?

(b) Will the Government be pleased to state what effect has been given to each of the recommendations made in paragraphs 14, 15, 16, 17, 18 and 26 and summarised in paragraph 35 of the Crewe Committee Report on the Home administration of Indian affairs ?

The Honourable Sir Alexander Muddiman : (a) The Honourable Member is referred to the reply given in this House by my predecessor to Sir Deva Prasad Sarvadhikary's Question No. 162 on the 12th February 1923. The desirability of establishing a Public Services Commission under the Provisions of section 96-C of the Government of India Act will be considered in connection with the recommendations of the Royal Commission on Services on this question.

(b) In the second part of the question I am asked for information as to the extent to which certain recommendations of the Crewe Committee have been given effect to. I would preface my remarks by the observation that the Report of the Crewe Committee is dated June 1919. The Government of India Bill of 1919 had been introduced in Parliament, but the Joint Select Committee had not then begun to sit. That is, the recommendations in the Report were made on the basis of the amendments to the Government of India Act contained in the Bill introduced in Parliament in 1919. That Bill was based upon the proposals in the Montagu-Chelmsford Report modified according to later recommendations of the Government of India, which were based largely upon the opinions elicited in India by the publication of the Report. I now take the recommendations of the Crewe Committee contained in the paragraphs mentioned in the question and as summarised in paragraph 35.

(i) *Paragraph 14.*—This recommendation was made with reference to the proposal in paragraphs 277 and 279 of the Montagu Chelmsford Report as to the constitution of the Council of State and the methods of securing that essential Government legislation should be carried. As the Honourable Member is aware, those proposals were not finally accepted. Under those proposals any certification of legislation would have been by the Governor General in Council. So far as certification of legislation under the provisions of section 67-B of the Government of India Act is concerned, the certification is by the Governor General, and this is, therefore, a matter in which the Governor General in Council is not primarily concerned. The Governor General in Council is, however, aware that the Secretary of State has intimated that in this matter he prefers to rely on the discretion of the authority concerned as to whether there shall be any report for his previous approval before certification is resorted to rather than to issue rigid instructions.

(ii) *Paragraphs 15 and 16.*—The Crewe Committee apparently in these paragraphs contemplated the growth of a convention under which, when the Government of India were in agreement with the majority of the non-official Members of the Legislative Assembly, which would presumably under the Act as finally passed be interpreted as applying to non-official Members of both Chambers of the Indian Legislature, the Secretary of State would save in exceptional circumstances assent to their joint decision. I invite a reference by the Honourable Member to the later pronouncements on the same question contained in the Report of the Joint Select Committee in their remarks on clause 33 of the Bill of 1919 and on the Rule under section 33 of the Act of 1919. As regards these proposals the Honourable Member is no doubt aware of the fiscal convention which is in course of being or is established. That may be regarded as the extent of the definite action taken upon these proposals.

(iii) *Paragraph 17.*—I will attempt to give such information as is available in regard to the proposals in this paragraph in my reply to the Honourable Member's next question which raises this point in a more detailed form.

(iv) *Paragraph 18.*—With the exception below the position as regards this recommendation is the same as regards the recommendations in paragraphs 15 and 16 of the report. Under clause (7) in rule 1 of the Provincial Audit Resolution relating to expenditure on provincial reserved subjects, when the cost of a revision of permanent establishment exceeds Rs. 5 lakhs

a year but does not exceed Rs. 15 lakhs a year the sanction of the Secretary of State in Council is not required if a Resolution recommending the charges is passed by the Legislative Council. This is a definite delegation of the powers of the Secretary of State in Council in conformity with the principle recommended by the Crewe Committee.

(v) *Paragraph 26.*—If the Honourable Member will refer to such provisions of the Government of India Act as are contained in section 67-B, sub-section (2), section 68, sub-section (2) and section 69, sub-section (1), he will find that the proposal has been given effect to. There has been no case since the passing of the Government of India Act of 1919 in which His Majesty in Council has signified his disallowance of any Act of the Indian Legislature. In the only case to which the provisions of section 67-B, sub-section (2), regarding the assent of His Majesty in Council applied, such assent was, in fact, accorded in the Order of His Majesty in Council published in the Notification by the Government of India in the Legislative Department No. 77, dated the 26th April, 1923.

C.—Indians Overseas.

4th, 5th, 6th June, 1924.

RECENT RIOTS IN BRITISH GUIANA.

253. **The Honourable Mr. G. A. Natesan :** (a) Have the Government received any official information regarding the recent riots in British Guiana in which a number of Indians were fired at, wounded and killed ?

(b) Are the Government aware that the British Guiana Government have not yet given to Indian emigrants reduced return passages, and that insistence on the full rate prevents many Indians from returning and is alleged to be one of the reasons for the riot ?

The Honourable Sir Narasimha Sarma : An inquiry into the circumstances of the riot has been ordered by the British Guiana Government and began on the 7th April. The results of this inquiry have not yet been communicated to the Government of India, and it is not possible, therefore, to give an authoritative version of the causes of the riot and all the incidents connected with it. From information which has so far been received it would appear that there was a strike of wharf labourers in George Town on 31st March and that on the following day there was disorder in the city. The authorities restored order, but to prevent recurrence of trouble issued a proclamation prohibiting assemblies and crowds. The events of the 1st April produced excitement among Indian labourers on the plantations across the river among whom there was evidently dissatisfaction with regard to the wages they were receiving. There was some trouble on the 2nd April but the situation was well in hand. On the 3rd a large crowd composed mainly of Indians and some negroes and including men, women and children marched in procession towards George Town. They were stopped at Penitence Bridge and asked to disperse. The authorities, however, offered to let a deputation of

five Indians and five negroes enter the town. The crowd, it is understood, would not disperse. The Riot Act was read but evidently without effect, and the police were attacked with stones and sticks. It would appear that a crowd had also collected at the rear of the police in the town, and finding themselves menaced both in front and behind the police opened fire. 11 Indians and 1 negro were killed and 16 Indians and 5 negroes were wounded. Among the killed were 2 women and a boy of 15.

A Commission to inquire into and report on the conditions of employment and rates of wages paid to stevedores, wharfmen and other labourers engaged in the loading and unloading of vessels has also been appointed.

The Honourable Mr. G. A. Natesan : Is the Honourable Member aware that it is distinctly alleged that one of the causes of the riots referred to recently is due to the very low wages that Indians are getting there ?

The Honourable Sir Narasimha Sarma : It would seem that some time ago, somewhere about December 1923, it was represented to the Government that there was a fair margin of 25 per cent. above the cost of living. The British Guiana Government have had no definite representations made to them before the riots with regard to the inadequacy of the wages, but from the information that the Government of India have it would appear that there was dissatisfaction, as I have already stated, as to the adequacy of the wages and that seems to have been one of the causes of the arrangement of this procession which led to these unfortunate results.

The Honourable Mr. G. A. Natesan : Is the Honourable Member aware, apart from the question of very low wages, that people are finding it exceedingly difficult to return to India as the cost of passages has risen considerably and according to the agreement arrived at the authorities will not give the people the lower rate of passage which they are entitled to ?

The Honourable Sir Narasimha Sarma : It is true that the cost of passages had risen recently, but the Government of India cannot agree with the statement that the British Guiana Government are not doing their duty in providing facilities for repatriation in the manner suggested.

The Honourable Mr. G. A. Natesan : Is the Honourable Member aware that there have been complaints by the Indians that the British Guiana authorities are putting a strange interpretation on the clause regarding their duty to help to repatriate at the rate at which they were originally taken there.

The Honourable Sir Narasimha Sarma : There is evidently a difference of opinion as to the construction that ought to be placed upon the original rules and some dissatisfaction has been expressed. The Government of India will try to ascertain what the exact position is at present.

The Honourable Mr. G. A. Natesan : One more supplementary question, Sir. Are the Government of India aware that very recently one of the leading English newspapers in British Guiana named the "Chronicle" has published a report that the Indian Association at a public meeting held under the presidency of the Deputy Mayor have declared that they are strongly opposed to emigration in view of the recent riots and fall in wages and the difficulty of finding steamers to get back to India.

The Honourable Sir Narasimha Sarma : The Government of India's attention has not been drawn to that report and they would be obliged if the Honourable Member will furnish them with a copy.

The Honourable Mr. G. A. Natesan : I have got a telegram on the subject.

The Honourable Sir Dr. Deva Prasad Sarvadhikary : Has not the whole subject of wages and allied matters which is raised in these questions been considered recently by the departmental committee, the duty of which is to consider these matters? If so, what has been the result? How does that reflect on the question of further facilities for emigration that the British Guiana deputation sought for recently?

The Honourable Sir Narasimha Sarma : The question was investigated by the Standing Emigration Committee, and a recommendation has been made to the Government of India that an officer should be deputed to British Guiana to ascertain the exact position with regard to wages, with regard to sanitary conditions and the improvements that are being effected in the Colony by the Government. The Government of India have reached no conclusion on the subject and would not and cannot proceed in the matter further unless they know the result of the inquiry into the causes of riots which is being instituted at the instance of the British Guiana Government.

The Honourable Saiyid Raza Ali : As regards the reply of the Honourable Member to part (a) of Mr. Natesan's question No. 253, namely, that a Commission had been appointed (but its report has not been received) to inquire into the causes of the riot, will the Honourable Member be pleased to state as to wherefrom he has got the information on the basis of which he gave some of the facts to this Council relating to the said riot?

The Honourable Sir Narasimha Sarma : A preliminary report has been furnished to the Colonial Office by the Government of British Guiana. It was communicated to the India Office who communicated it to the Government of India and I have based my statements on the strength of that communication. The Government have stated that an inquiry is being instituted and certainly therefore we shall have to await the results of the inquiry in order to ascertain really what the facts were.

The Honourable Dr. Sir Deva Prasad Sarvadhikary : Is the House to understand that no earlier and more direct news about this riot was available except through the Colonial Office and the India Office.

The Honourable Sir Narasimha Sarma : The Government of India have no other means of ascertaining as to what took place in that Colony except through the India Office and the Colonial Office.

9th June, 1921.

SHOOTING OF INDIANS IN BRITISH GUIANA.

1364. * **Mr. Chaman Lal :** Will Government furnish the House with complete information regarding the recent shootings of Indians in British Guiana?

Mr. J. W. Bhore : With your permission, Sir, I will read the statement made by the Honourable Sir Narasimha Sarma in reply to a similar question in the Council of State on the 4th June last :

"An inquiry into the circumstances of the riot has been ordered by the British Guiana Government and began on the 7th April. The results of this inquiry have not yet been communicated to the Government of India and it is not possible, therefore, to give an authoritative version of the causes of the riot and all the incidents connected with it. From information which has so far been received it would appear that there was a strike of wharf labourers in George Town on the 31st March and that on the following day there was disorder in the city. The authorities restored order but to prevent recurrence of trouble issued a proclamation prohibiting assemblies and crowds. The events of the 1st April produced excitement among Indian labourers on the plantations across the river among whom there was evidently dissatisfaction with regard to the wages they were receiving. There was some trouble on the 2nd April, but the situation was well in hand. On the 3rd a large crowd composed mainly of Indians and some Negroes and including men, women and children marched in procession towards George Town. They were stopped at Penitence Bridge and asked to disperse. The authorities, however, offered to let a deputation of five Indians and five Negroes enter the town. The crowd, it is understood, would not disperse. The Riot Act was read but evidently without effect, and the police were attacked with stones and sticks. It would appear that a crowd had also collected at the rear of the police in the town, and, finding themselves menaced both in front and behind, the police opened fire. 11 Indians and one Negro were killed and 16 Indians and five Negroes were wounded. Among the killed were two women and one boy of 15. A commission to inquire into and report on the conditions of employment and rates of wages paid to stevedores, wharfmen and other labourers engaged in the loading and unloading of vessels has also been appointed."

Pandit Shamlal Nehru : May I inquire whether the Government are aware that Sir Joseph Nunan in a private talk with Mr. Shamlal Nehru said that the firing was not justified.

Mr. J. W. Bhore : No, Sir.

Mr. Chairman : The Honourable Member is not expected to know what passed between an Honourable Member of this House and another gentleman in a private talk.

Mr. Chaman Lal : Who was responsible for the shooting, Sir, ?

Mr. J. W. Bhore : I have no information on that point, Sir.

Mr. Gaya Prasad Singh : Will the Honourable Member kindly obtain information and lay it before the House ?

Mr. J. W. Bhore : I have said an inquiry has been made by the British Guiana Government, and when the result of that inquiry is known, I shall be very happy to let any Honourable Member, who desires information, have it.

4th, 5th, 6th, June 1924.

EMIGRATION TO EAST AFRICA.

262. The Honourable Mr. G. A. Natesan : Will the Government of India give figures of Indians going out as deck passengers by the B. I. S. N. steamers from Bombay and Porbunder during each year from 1919 to 1924 to Mombassa and returning each year from Mombasa ?

The Honourable Sir Narasimha Sarma : A statement is laid on the table.

Statement showing the number of deck passengers who travelled from Bombay or Porbunder to Mombassa and back during the years 1919 to 1924.

Year.	No. of passengers from Bombay or Porbunder to Mombassa.	No. of passengers from Mombassa to Bombay or Porbunder.
1919.	4049	2844
1920.	5758	3887
1921.	1925	5618
1922.	3116	3999
1923.	4140	3753
1924.	575	658
(January to February)		
Total	19,563	20,759

D.—Reforms.

27th May, 1924.

LORD OLIVIER'S SPEECH IN THE HOUSE OF LORDS.

262. **Mr. A. Rangaswami Iyengar :** (a) Will the Government of India be pleased to state whether any consultations have taken place in pursuance of the statement made by Lord Olivier in the House of Lords on 26th February last in the following passage :

“ His Majesty's Government, while they are open to consider any practical proposals, are not yet satisfied as to what may be the best means for establishing that closer contact and better understanding that is so manifestly desirable. Some means of arriving at that closer contact must, they are convinced be sought, and they hope after due consultation with the Government of India to be able with the least avoidable delay to decide upon the means they will desire to adopt.”

(b) If so, have any and if so what steps been taken to give effect to the intentions of the Secretary of State ?

(c) If no steps have been taken, when are such steps proposed to be taken ?

The Honourable Sir Alexander Muddiman : (a), (b) and (c). The Honourable Member is referred to the Communiqués issued on the 16th and 23rd May copies of which are annexed.

PRESS COMMUNIQUÉ.

The Governor General in Council, with the approval of the Secretary of State in Council has decided to appoint a Committee consisting of official and representative non-official members—

- (1) to inquire into the difficulties arising from, or defects inherent in, the working of the Government of India Act and the Rules thereunder; and
- (2) to investigate the feasibility and desirability of securing remedies for such difficulties or defects, consistent with the structure, policy and purpose of the Act,

(a) by action taken under the Act and the Rules, or

(b) by such amendments of the Act as appear necessary to rectify any administrative imperfections.

2. The personnel of the Committee and the date and place of sitting will be announced later. Invitations are about to be issued to certain prominent non-officials.

3. A memorandum summarising the legal and constitutional possibilities of securing remedies for difficulties arising from or defects inherent in the working of the Government of India Act and the Rules thereunder by action taken under the Act and Rules is being prepared and will be communicated to the Committee for its guidance. This memorandum will be based on the report submitted by the Committee appointed by His Excellency the Viceroy, the personnel of which has already been announced and which has been occupied for some time in examining the constitutional position.

4. As already announced Local Governments have been addressed on the subject and any proposals received from Local Governments will be referred to the Committee for examination.

5. The Committee will be empowered to receive written representations and if necessary to hear oral explanations upon them. It will report to the Governor General in Council.

Home Department,

Simla, the 23rd May, 1924.

4th June, 1924.

COMMITTEE APPOINTED BY THE BRITISH CABINET TO CONSIDER INDIAN AFFAIRS.

1226. * **Mr. Devaki Prasad Sinha :** (a) Have the Government of India received details of information regarding the Committee appointed by the Cabinet to consider Indian affairs, which formed the subject matter of a question asked by Dr. H. S. Gour on the 10th of March 1924? Did Government receive any communication on this subject after the answer to the aforesaid question was given by Sir Malcolm Hailey?

(b) Who are the members of this Committee and what are the purposes and functions of this Committee?

(c) Has this Committee had any consultation or communication with any member of the Secretary of State's Council or any non-official public men, or public bodies?

(d) Are Government prepared to lay on the table all correspondence between the Government of India and the Secretary of State on this subject?

The Honourable Sir Alexander Muddiman : The Cabinet Committee on Indian Affairs is one of several Cabinet Committees appointed by His Majesty's Government in accordance with the recognised procedure to deal with matters of current departmental administration. Such Committees, for example, have been appointed to deal with home affairs, unemployment and housing. The composition of these Committees is confined to Members of the Cabinet with the occasional *ad hoc* inclusion of other Ministers or officials. The Membership is not disclosed unless for special reasons the Cabinet so directs. Their purposes and functions are to investigate and to keep in touch with developments of the more important sections of administrative problems and as occasion may require to report their conclusions to the Cabinet for final decision. The action taken by such committees is for the assistance of the Cabinet alone and is not made public unless the Cabinet so directs after taking a final decision thereon.

Mr. Devaki Prasad Sinha : Is it the Secretary of State for India who prepares the agenda for the business to be discussed by this Committee or

do the members of the Committee have a right independent of the Secretary of State to bring any subject before them for discussion? Can the Honourable the Home Member give us any information in regard to that matter?

The Honourable Sir Alexander Muddiman: I have given the House a very full answer in the matter, which is clearly not within my cognisance. I have no information on the matter.

30th May, 1924.

PERCENTAGE OF VOTES POLLED AT THE GENERAL ELECTIONS FOR THE LEGISLATIVE ASSEMBLY IN 1920 AND 1923, RESPECTIVELY.

1103. * **Mr. Gaya Prasad Singh:** Will the Government be pleased to give a statement showing, Province by Province, the percentage of electors who voted at elections for the Legislative Assembly in the general elections of 1923 and 1920?

The Honourable Sir Alexander Muddiman: I lay on the table a statement giving the information asked for, and, as the matter may be of general interest, I have also included in the statement similar information regarding the provincial Legislative Councils. For more detailed information regarding the first general election the Honourable Member is referred to the return presented to Parliament (Command Paper 1261), a copy of which is in the Library of this House.

Percentage of electors who voted in contested constituencies of the Legislative Council and the Legislative Assembly during the general elections of 1920 and 1923.

Province.	GENERAL ELECTION, 1920.		GENERAL ELECTION, 1923.	
	Legislative Council.	Legislative Assembly.	Legislative Council.	Legislative Assembly.
Madras	25	} 25	36.3	40.9
Bombay	34.9		48.1	38.4
Bengal	33.4		39	41
United Provinces	33		42.2	44.3
Punjab	32.2		49.3	60.3
Bihar and Orissa	39.7		52.3	44.1
Central Provinces	22.5		57.7	44.1
Assam	24.2		42.1	44
Burma	23.3
Delhi	30
Ajmer-Merwara	74.5

Mr. K. Ahmed : Are the Government aware that the Swarajist volunteers misled voters, so that particular candidates, who were not candidates of theirs, were not voted for by the general public ?

The Honourable Sir Alexander Muddiman : I suggest that the question might be addressed in another direction.

30th May, 1924.

SUBJECT IN REGARD TO WHICH RECOURSE IS HAD TO PREVIOUS CONSULTATION
WITH THE SECRETARY OF STATE FOR INDIA INSTEAD OF OBTAINING HIS
PREVIOUS SANCTION.

1125. * **Diwan Bahadur M. Ramachandra Rao :** With reference to the recommendation of the Crewe Committee in paragraph 17 of the report that "the principle of previous consultation should be substituted in all cases where the previous sanction of the Secretary of State in Council has hitherto been required" that the Secretary of State "should revise the list of subjects on which he requires such previous consultation" and that the above recommendations should apply "to all projects both Legislative and Financial" subject to reservations that may be necessary for the proper discharge of the Secretary of State's ministerial responsibilities, will the Government be pleased to make a statement as to the extent to which each of the above recommendations has been carried into effect, and to state the subjects, if any, in regard to which the Government of India are now consulting the Secretary of State in Council instead of obtaining his previous sanction ?

The Honourable Sir Alexander Muddiman : In the paragraph in question of the Report of the Crewe Committee, it was indicated clearly that the proposal only related to legislative and financial projects.

In regard to administrative questions, there were not and are not now any formal restrictions on the powers of the Government of India. A reference to the Secretary of State continues to be made on questions which are understood to be specially important from the administrative point of view.

In regard to legislative projects the present position will be explained by my friend, the Honourable Sir Henry Moncreiff Smith when replying to the Honourable Member's Question No. 1127.

As regards financial projects, no action on the lines recommended by the Crewe Committee has been taken. In lieu of such action, the Secretary of State in Council has, however, made a considerable relaxation of his control by the definite delegations which are contained in the Central and Provincial Audit Resolution so far as expenditure from Central Revenues and expenditure on provincial reserved subjects are concerned, and in Schedule III to the Devolution Rules in regard to expenditure on transferred subjects.

The Audit Resolutions referred to, with the amendments made thereto from time to time, have been published in the Gazette of India. A copy of the Resolution, as amended to date, will, however, be supplied to the Honourable Member by the Home Department if he so desires.

Diwan Bahadur M. Ramachandra Rao : I have a copy of the Audit Resolution as amended to date. But may I ask, Sir, if there has been any advance with regard to financial devolution since the reforms have been introduced ? So far as I can see, the position is exactly the same as it was before.

The Honourable Sir Alexander Muddiman : That is a question of opinion, I think, rather of fact.

Diwan Bahadur M. Ramachandra Rao : May I ask, Sir, in what respects the Government of India now possess more powers with regard to financial matters than they did before the Audit Resolutions were issued ?

The Honourable Sir Alexander Muddiman : I think I have drawn the Honourable Member's attention to the Audit Resolutions which do involve some delegation. Whether he considers delegation to be an advance or not I cannot say.

Diwan Bahadur M. Ramachandra Rao : May I ask in what respect there has been delegation ?

Mr. A. Rangaswami Iyengar : May I know, Sir, whether, in respect to non-official matters, there are at present any proposals for further devolution of powers to the Government of India and the Indian Legislature ?

The Honourable Sir Alexander Muddiman : I cannot give a definite answer to that beyond the fact that, as the Honourable Member is doubtless aware, that is one of the subjects the Committee will consider.

30th May, 1924.

PREVIOUS SANCTION OF THE SECRETARY OF STATE TO THE
INTRODUCTION OF LEGISLATION IN THE ASSEMBLY AND IN
PROVINCIAL LEGISLATIVE COUNCILS.

1127. ***Diwan Bahadur M. Ramachandra Rao :** (a) Will the Government be pleased to place on the table the instructions now in force, if any, of the Secretary of State in Council to the Government of India and the Local Governments for obtaining his previous consent for the introduction of measures of legislation in the Legislative Assembly and the Legislative Councils, or regarding Bills already introduced or in regard to Bills in progress in the Legislatures ?

(b) Will the Government be pleased to state the classes of legislation which the Government of India cannot now introduce in the Legislative Assembly without obtaining the sanction of the Secretary of State for India or of the Secretary of State for India in Council ?

Sir Henry Moncrieff Smith : (a) and (b) The Secretary of State requires reference for his approval prior to introduction by the Government of India in the Indian Legislature of Bills other than routine Bills and Bills of minor importance which fall within certain specified classes, a list of which is laid on the table. No reference to the Secretary of State is required prior to the introduction of Bills in provincial Legislative Councils but the Secretary of State has directed his concurrence to be obtained before sanction is refused.

by the Governor General to the whole or to the main provisions of a Bill which it is proposed to introduce in such Council, or before executive orders are issued by the Government of India forbidding the introduction by a Local Government of such Bill. These instructions are embodied in unpublished official correspondence and the Government of India are unable to lay them on the table.

List of Bills.

Any measures—

- (a) affecting the public debt or custom duties;
- (b) affecting the discipline or maintenance of any part of His Majesty's Military, Naval or Air Force;
- (c) affecting the relations of the Government with Foreign Princes and States;
- (d) regulating any provincial subject or any part of a provincial subject which has not been declared by rules under the Government of India Act to be subject to legislation by the Indian Legislature;
- (e) repealing and amending any Act of a local legislature passed after 1920;
- (f) providing for the punishment of offences by courts not constituted under the Code of Criminal Procedure or conferring on the executive powers of interference with the personal liberty of the subject;
- (g) regulating merchant shipping other than shipping on inland water-ways;
- (h) regulating the personal status and rights of European British subjects;
- (i) regulating naturalisation;
- (j) affecting the currency;
- (k) altering the law merchant;
- (l) regulating the prerogative of the Crown.

E.—Miscellaneous.

2nd June, 1924.

ALLEGED ASSAULT BY SOLDIERS ON MR. R. K. SIDHVA AT THE KARACHI RAILWAY STATION.

1165. *Mr. Kumar Sankar Ray : Has the attention of the Government been drawn to an incident reported in the *Forward* newspaper of Calcutta, in its issue dated the 1st May, 1924, headed "Ungallant conduct of British soldiers" about some British soldiers having assaulted and kicked one Mr. R. K. Sidhva at the Karachi railway station? Are the statements therein made true and if so, what steps, if any, are the Government going to take against the said soldiers?

Mr. H. R. Pate : Government have seen the report referred to. The matter is under investigation.

Mr. Jamnadas M. Mehta : Is it a fact that, as stated in the report which appeared in some newspapers, these officers were to be court-martialled?

Mr. H. R. Pate : I understand that a court-martial is being held.

1159. * **Mr. Harchandrai Vishindas** : (a) Has the attention of the Government been drawn to a letter from Mr. Sidhva published in the "Sind Observer" and "New Times" (Karachi) of the 28th April last stating that while entering a railway compartment occupied by soldiers, he was foully abused, kicked, collared out of the compartment, his luggage thrown out and he was further threatened to be thrown out of the window if he entered again, the soldiers flouting the remonstrances of the railway officials and military police; and to the editorial comments of the above two newspapers of the 29th idem?

(b) If so, will Government be pleased to state what steps, if any, they intend to take to punish the offenders?

(c) Is it true, that such incidents are frequent but go unnoticed owing to the inaction of the victims?

Mr. H. R. Pate : (a) Government have seen the article and the comments referred to by the Honourable Member.

(b) The matter is being thoroughly investigated and the result will be communicated to the Honourable Member in due course.

(c) The Government have no reason to believe that the facts are as stated.

2nd June, 1924.

COMMUNICATION FROM THE INDIAN MERCHANTS' CHAMBER REGARDING THE TARIFF BOARD'S REPORT.

1149. * **Khan Bahadur Sarfaraz Hussain Khan** : (a) Will the Government be pleased to state if they have received any communication from the Indian Merchants' Chamber as published in the "Englishman" of the 22nd April, 1924, page 11, under the heading "Tariff Board Report"?

(b) If so, will they please lay a copy of the communication referred to on the table?

Mr. C. D. M. Hindley : A copy of the letter from the Indian Merchants' Chamber referred to, with a copy of the Government's reply is being sent to the Honourable Member.

ALLEGATIONS AGAINST ASIATIC CLERKS AND INDIAN MONEY-LENDERS IN THE REPORT OF THE COMMISSION ON AGRICULTURE APPOINTED BY THE ZANZIBAR GOVERNMENT IN 1922.

1150. * **Sir Purshotamdas Thakurdas** : 1. Have Government seen the Report of the Commission on Agriculture submitted to the Zanzibar Government in 1923?

2. Are Government aware that the Commissioners appointed by the British Resident in December 1922 did not include a single Indian?

3. Will Government be pleased to state the qualifications of the five members that sat on the Commission?

4. Has the attention of Government been drawn to some remarks against Asiatic clerks and against Indian money-lenders as contained in the Report of the said Commission ?

5. Will Government be pleased to state if the said Commission examined any Indian witnesses, and if so, are the qualifications of such Indian witnesses known to Government ? Or, if they are not known are Government prepared to find out the qualifications of such Indian witnesses and make the information available to the Assembly ?

6. Are Government prepared to get the evidence collected by the said Commission and put a copy in the library of the Assembly ?

7. (a) Do the Government of India propose to address the Resident in Zanzibar, and convey to him the opinion of the Government of India regarding the remarks made in the report in connection with Indians lending money to Arab cultivators in Zanzibar ?

(b) Has the attention of Government been drawn to the Minority Report of Mr. R. H. Crofton, Chairman of the Commission, Section 6, on page 49 of the Report ?

Mr. J. W. Bhore : *Parts 1, 2, 4 and 7 (b).*—The reply is in the affirmative.

Parts 3, 5, 6 and 7 (a).—The Government of India are not in possession of all the facts, and have asked the authorities concerned for information and copies of the evidence. Their future course of action will be determined by the result of these inquiries.

Sir Purshotamdas Thakurdas : Will the information received by the Government of India be available to the Members of this House ?

Mr. W. J. Bhore : Yes.

2nd June, 1924.

STATE vs. COMPANY MANAGEMENT OF RAILWAYS.

1151. * **Sir Purshotamdas Thakurdas :** With reference to the Administration Report on Indian Railways, 1922-23, Volume I, page 6, paragraph 14, headed "State vs. Company Management" where it is stated that the Government propose to continue their efforts "to devise a satisfactory form of Company domiciled in India to take these Railways (the East Indian Railway and Great Indian Peninsula) over, eventually on a basis of real company management" will Government be pleased to state the stage at which their efforts in the direction indicated in this paragraph have reached at present ?

Mr. C. D. M. Hindley : The problem referred to has been kept in abeyance pending a settlement of the question of the separation of Railway Finances from the General Finances of the Country.

Sir Purshotamdas Thakurdas : Do I understand then that the project depends upon that ?

Mr. C. D. M. Hindley : I do not think the Honourable Member is entitled to make that assumption.

Sir Purshotamdas Thakurdas : If the question has been held in abeyance pending the decision of the Assembly *re* the separation of Railway finances from the General finances I think the supplementary question is justifiable as to whether the question of company management of these railways depends upon the separation of the General Budget from the Railway Budget ?

Mr. President : The Honourable Member's supplementary question has been answered by Mr. Hindley saying that such assumption should not be made.

Sir Purshotamdas Thakurdas : May I ask another question ? What relation does that bear to the question of company management of these railways ?

Mr. C. D. M. Hindley : It would take some considerable time to explain the exact relation but it has generally been agreed that in the event of separation being effected some of the objections of State management, which were advanced at the time of the discussion would perhaps disappear.

Diwan Bahadur M. Ramachandra Rao : May I ask whether any decision has already been reached that, at the termination of their contract, these two Railways will be taken over by the State ?

Mr. C. D. M. Hindley : I have already stated that the problem is at present in abeyance.

Mr. Gaya Prasad Singh : Is it a fact that a confidential circular has been issued by the authorities of the East Indian Railway asking their employees to take long furlough, if they so desire, in view of the decision of the Government to take over that Railway ?

Mr. President : That does not arise out of this question.

Diwan Bahadur M. Ramachandra Rao : May I ask the Honourable Member whether the decision that these two railways are going to be taken over by the State is final or is subject to any further decision that the Government may come to in regard to the formation of a Company line.

Mr. C. D. M. Hindley : For the time being the decision is final.

The Honourable Sir Charles Innes : I think the Honourable Member will find the answer to his question if he will read the debate on this subject that took place in February 1923 in this House.

An Honourable Member : That debate is not illuminating as to what the decision is.

The Honourable Sir Charles Innes : The Honourable Member will find it quite illuminating if he will read it. The answer to his question is already on record.

Mr. K. C. Neogy : If the Government have already accepted the Resolution of the Assembly, is it subject to any further condition or restriction ?

The Honourable Sir Charles Innes : Government have accepted that Resolution and have made arrangements to take over the East Indian Railway on the 31st December, 1924 and the Great Indian Peninsula Railway in July 1925. As I said in my speech, we have left the door open to negotiations for a real private Company. These negotiations, as Mr. Hindley just explained, have not been pursued because we have not yet been able to

settle the question of the separation of Railway finances from the General finances.]

Mr. K. C. Neogy : Is it not a fact that the Honourable Member moved an amendment specifically to the effect that the Government will carry on these negotiations and that that amendment of Government was defeated by a large majority of this House!

Mr. President : That is not a supplementary question. The Honourable Member is stating a fact.

Mr. A. Rangaswami Iyengar : May I know whether, as a matter of fact, there are proposals now before the Government for giving over this Company to private company management?

The Honourable Sir Charles Innes : The matter has not gone beyond the stage which I mentioned in my speech to which I have already referred the Honourable Members. It may be said that there are no definite proposals before the Government at this moment.

Dr. H. S. Gour : Will not the Honourable Member feel bound by his speech or by the Resolution passed by this House?

The Honourable Sir Charles Innes : The Honourable Member perhaps is aware that Government are not bound by the Resolutions passed by the Assembly.

Mr. K. Ahmed : Do I understand that the Government are not prepared to give effect to the Resolution that was passed last year?

The Honourable Sir Charles Innes : If the Honourable Member will not listen to the answers that I have already given, I am afraid I cannot help him.

(Mr. K. Ahmed wanted to put another question).

Mr. President : Order, order. We have had a sufficient number of supplementary questions on this question.

APPENDIX I.

Acts of the Indian Legislature passed during the May—June session, 1924.

1. The Indian Soldiers Litigation (Amendment) Act, 1924.
2. The Indian (Specified Instruments) Stamp Act, 1924.
3. The Steel Industry (Protection) Act, 1924.

APPENDIX II.

Statement of official and non-official Bills pending before the Council of State and the Legislative Assembly.

No.	Bill.	Originating Chamber.	REMARKS.
		(a) <i>Official</i>	
1	Indian Succession Bill	Council of State	Introduced and circulated for opinion. To be referred to a Joint Committee.
2	Code of Civil Procedure (Amendment) Bill	Legislative Assembly	Introduced and referred to Select Committee.
3	Indian Merchant Shipping (Amendment) Bill	Ditto	Introduced and circulated for opinion by the Assembly.
4	Indian Criminal Law Amendment Bill	Ditto	Introduced and referred to Select Committee.
5	Court-fees (Amendment) Bill	Ditto	Ditto
6	Imperial Bank of India (Amendment) Bill	Ditto	Introduced and circulated for opinion by the Assembly.
		(b) <i>Non-official.</i>	
1	Hindu Inheritance (Removal of Disabilities) Bill (Mr. Seshagiri Ayyar).	Legislative Assembly	Passed by the last Legislative Assembly and laid on the table in the Council of State. Consideration in the Council of State postponed on the 19th July 1923.
2	Hindu Law of Inheritance (Amendment) Bill (Mr. Seshagiri Ayyar).	Ditto	Ditto

3	Legal Practitioners (Amendment) Bill (Mr. K. C. Neogy)	Ditto	Introduced and referred to Select Committee during the life time of the last Assembly. The report of the Committee presented on 24th July 1923.
4	Legal Practitioners Bill (Mr. Rangachariar)	Ditto	Introduced during the life time of the last Assembly and circulated for opinion by the direction of that Assembly on 14th August 1923.
5	Code of Criminal Procedure (Amendment) Bill (Mr. Rangachariar)	Ditto	Introduced only.
6	Indian Registration (Amendment) Bill (Mr. K. Rama Aiyangar).	Ditto	Ditto.
7	Indian Criminal Law Amendment (Repealing) Bill (Dr. H. S. Gour).	Ditto	Ditto.
8	Indian Stamp (Validating) Bill (Mr. Shanmukham Chetty).	Ditto	Introduced and referred to Select Committee.
9	Indian Penal Code (Amendment) Bill (Dr. H. S. Gour)	Ditto	Referred to Select Committee and the report of the Committee presented. Circulated for opinion by the Assembly.
10	Hindu Religious and Charitable Trusts Bill (Dr. H. S. Gour).	Ditto	Introduced and circulated for opinion by the Assembly.
11	Indian Registration (Amendment) Bill (Mr. Rangachariar).	Ditto	Introduced only.
12	Hindu Coparcener's Liability Bill (Dr. H. S. Gour)	Ditto	Introduced and referred to Select Committee.
13	Indian Evidence (Amendment) Bill (Mr. K. Rama Aiyangar).	Ditto	Introduced only.

APPENDIX III.

30th May 1924.

REPLY TO THE GREETINGS OF THE ASSEMBLY TO THE MEMBERS OF THE LABOUR PARTY.

MR. PRESIDENT : I have to communicate to the House the reply received from the Secretary of State to the Resolution adopted by the Assembly on the 14th February 1924 sending the greetings of the Assembly to the Members of the Labour Party. The reply is this :

"Your Secretary's letter dated the 28th February. Please convey to the Assembly my appreciation of their Resolution of the 14th February which I am circulating to my colleagues."

APPENDIX IV.

Statement showing Resolutions adopted by the Legislative Assembly during the Delhi session 1924, and action taken by Government thereon.

Serial No.	Date on which moved.	By whom.	Subject of Resolution	Department concerned.	Action taken by Government.
1	5th February 1924.	Mr. B. Venkatapatrijalu	Amalgamation of the Indian Territorial Force with the Auxiliary Force.	Army . . .	A committee has been appointed and will assemble shortly.
2	7th February 1924.	Mr. K. C. Neogy	Countervailing duty on South African coal.	Commerce . . .	The Government has as yet taken no action on this Resolution.
3	5th, 8th, 13th and 18th February 1924.	Dewan Bahadur Rangachariar.	Full Self-Governing Dominion status for India.	Home . . .	A copy of the Resolution adopted by the Assembly, together with the debates thereon, was communicated to the Secretary of State on the 6th March 1924. The subsequent action taken in conformity with the undertaking of the Honourable Sir Malcolm Hailey given in the discussion of the Resolution has been announced in Communique which have been issued.
4	12th February 1924.	Mr. K. Ahmed	Answering of all questions in the Assembly regarding subjects over which Government of India have power of superintendence and control.	Ditto . . .	The question is under consideration.
5	Ditto	Haji Wajuddin	Measures for the convenience of Indian passengers.	Railway . . .	A copy of the discussion on the subject in the Assembly was forwarded to all Railway Administrations for consideration.

Statement showing Resolutions adopted by the Legislative Assembly during the Delhi session 1924, and action taken by Government thereon—contd.

Serial No.	Date on which moved.	By whom.	Subject of Resolution.	Department concerned.	Action taken by Government.
6	14th February 1924.	Diwan Bahadur M. Ramachandra Rao.	Assembly's approval in regard to certain contracts.	Industries and Labour.	The Government of India have decided that they cannot be bound by the Resolution, but that should they consider it in the public interest to do so, they may at their discretion constitute an appropriate committee of the Legislature before entering into a contract of the nature contemplated.
7	Ditto	Mr. M. A. Jinnah	Purchase of stores	Ditto	The matter is under consideration.
8	Ditto	Maulvi Mohammad Yakub.	Greetings to the Labour Party.	Home	A copy of the Resolution adopted by the Assembly, together with the debates thereon, was duly communicated to the Secretary of State.
9	10th February 1924.	Mr. V. J. Patel	Removal of restrictions in the way of Mr. B. G. Horniman to return to India.	Ditto	The Government of India have not been able to accept the recommendations contained in the Resolution. No action has accordingly been taken other than to report the result of the debate to the Secretary of State.
10	26th February 1924.	Sardar Gulab Singh	Appointment of a Committee to inquire into the grievances of the Sikh community.	Ditto	Ditto
11	Ditto	Sardar Kartar Singh	Release of Sardar Kharak Singh.	Ditto	In accordance with the undertaking given by the Honourable the Home Member during the debate, the Punjab Government were consulted and it has been decided that there are no grounds for interference at present.

12	Ditto	Mr. S. Sadiq Hasan	Release of Maulana Hasrat Mohani.	Ditto	The Governor General in Council has not accepted the recommendations made in the Resolution and no action has accordingly been taken thereon.
13	8th March 1924	The Honourable Sir Malcolm Hailey.	Ratification of International Convention for suppression of obscene publications.	Ditto	Secretary of State has been informed that the Government of India agree that the Convention should be ratified on behalf of India, and Local Governments have been consulted on the amendments which will be necessary in the Indian Penal Code and the Criminal Procedure Code. It is proposed to undertake the necessary legislation in the September session.
14	20th March 1924	Mr. Amar Nath Dutt	Repeal of Bengal Regulation III of 1818.	Ditto	For the reasons stated in the course of the debate, the Government of India have been unable to accept the Resolution and no action has been taken other than to communicate a report on the debate to the Secretary of State.

APPENDIX V.

Statement showing the Resolutions adopted by the Council of State during the Delhi session 1924, and action taken by Government thereon.

Serial No.	Date on which moved.	By whom.	Subject of Resolution.	Department concerned.	Action taken by Government.
1	4th February 1924.	The Honourable Mr. Phiroze C. Sethna.	Inquiry into the economic conditions of the people of India.	Educ a t i o n, Health and Lands.	The Local Governments have been consulted as to the desirability of undertaking the inquiry and asked whether they would be prepared to support the proposal for the appointment of a Committee and to co-operate in its labour, if appointed.
2	5th February 1924.	The Honourable Sir Manekji B. Dadabhai.	Award of the Nobel prize for peace to His Highness the Aga Khan.	Foreign and Political.	A certified copy of the Resolution, together with a copy of the debate on the subject, was forwarded on the 11th April 1924 to the Secretary of the Nobel Committee of the Norwegian Parliament, for the information of that Committee.
3	11th February 1924.	The Honourable Mr. Phiroze C. Sethna.	Mural paintings in Government buildings at Raissa.	Industries and Labour.	No action has yet been taken as the work of mural paintings in the buildings in Raissa cannot yet be taken in hand.
4	12th February 1924.	The Honourable Mr. S. Vedanuvil.	Reconstitution of the New Capital Committee, Delhi, with a non-official majority.	Ditto	The Resolution, as adopted, has been given effect to.
5	13th February 1924.	Ditto	Substitution of a provident fund for the existing pension system.	Finance	The matter will be considered after the Report of the Public Services Commission has been published.

6	5th March 1924	The Honourable Sardar Jogensingh Singh.	Survey of irrigation possibilities and the organisation of power lift irrigation from wells.	Industries and Labour.	Copies of the Debates in the Council of State and of the Resolution have been forwarded to major Local Governments for their views before deciding what action, if any, is desirable.
7	10th and 12th March 1924.	Ditto	Development of the sugar industry.	Education, Health and Lands.	A copy of the Resolution, as adopted, was forwarded to all Local Governments and the Administration of the N.W. F. P. for information and such action as might be considered necessary with the remark that the Government of India, who are interested in the question, would be glad to be kept informed of developments.
8	11th March 1924.	The Honourable Mr. J. Crear.	Ratification of the International Convention for the suppression of the circulation of, and traffic in, obscene publication.	Home	Secretary of State has been informed that the Government of India agree that the Convention should be ratified on behalf of India, and Local Governments have been consulted on the amendments which will be necessary in the Indian Penal Code and the Criminal Procedure Code. It is proposed to undertake the necessary legislation in the September session.
9	18th March 1924.	The Honourable Mr. A. E. Levy.	Draft Convention of the International Labour Conference concerning the use of white lead in painting.	Industries and Labour.	The Resolution adopted was forwarded on 22nd April 1924 to His Majesty's Under Secretary of State for India for communication to the Secretary General of the League of Nations.
10	19th and 20th March 1924.	The Honourable Mr. G. A. Natsan.	Restrictions and disabilities imposed on Indians in South Africa.	Education, Health and Lands.	The gist of the Resolution was communicated in a cable to the Secretary of State for India on the 28th March 1924. The Glass Areas Bill, which was the subject of discussion, has since lapsed owing to the dissolution of the Union Parliament.